



City of Baltimore

Fiscal 2016 Ordinance of Estimates

Presentation to City Council

May 12, 2015

Department of Finance



Agenda

- Budget Overview and Highlights
- Ten-Year Financial Plan Update
- Revenue Outlook
- Fixed Cost Trends
- Recommended Budget Plan
- Fiscal Risks



Overview: Economic Recovery, Fiscal Sustainability, and Proactive Service Delivery



- Increased revenue driven by rising property values
- More **proactive** City services:
 - New Police schedule matches deployments to crime and reduces overtime
 - New approach to EMS adds support during peak periods
 - Cyclical tree pruning reduces storm damage and backlogs
 - Expanded Rat Rubout will inspect alleys every 20 days
- Ten-Year Plan progress:
 - Cut long-range deficit in half
 - Reduced property tax rate for homeowners more than 6%
 - Pumped nearly \$100 million into blight elimination and infrastructure projects
 - Shrunk unfunded liabilities by \$850 million (27%)
- New capital spending:
 - \$21.8M in General Fund capital
 - \$15M in Transportation Bond funding
 - \$65M in General Obligation Bond funding
- Pay increases for employees



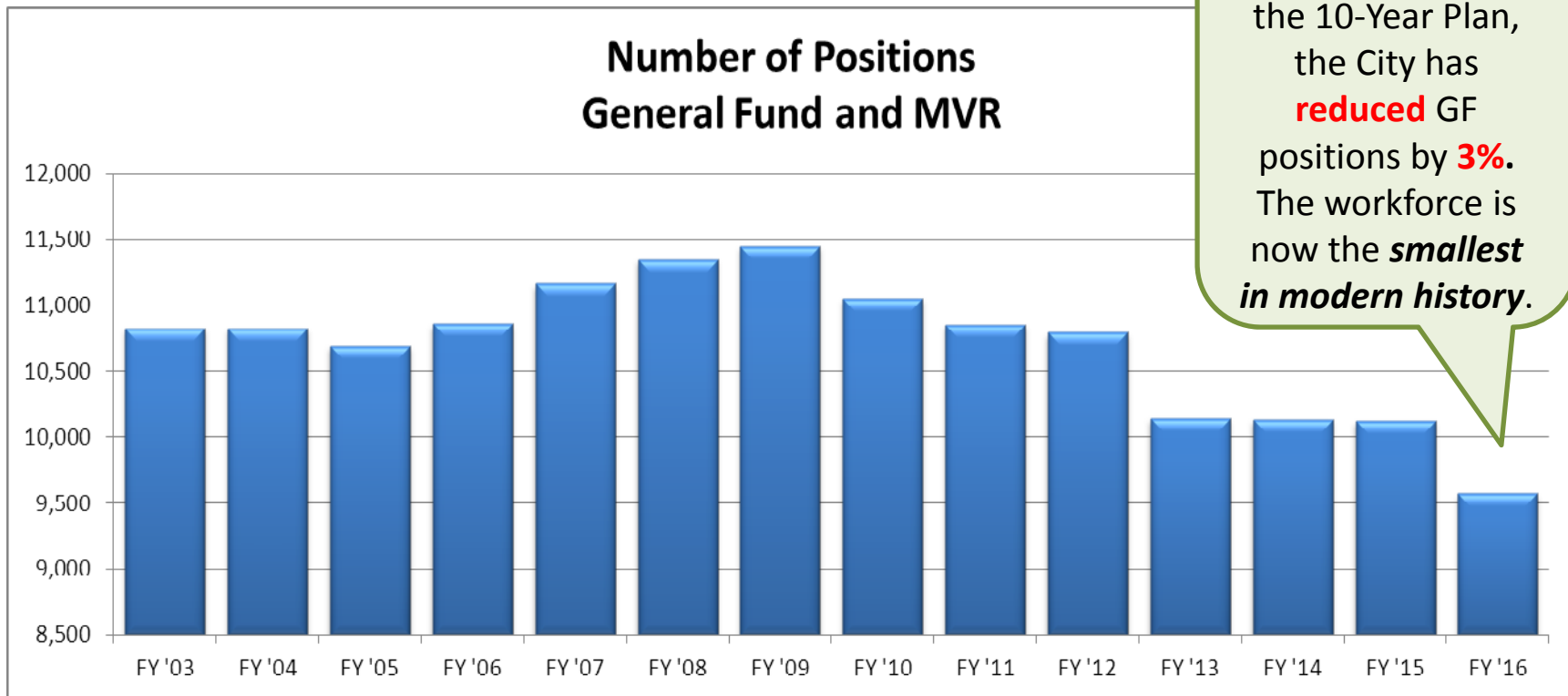
Fiscal 2016 by the Numbers

Fiscal 2016: All Funds	Recommended Amount	Change from Fiscal 2015	Percent Change
Operating Plan	\$2.554 billion	\$88.1 million	3.6%
Capital Plan	\$672.9 million	-\$225.2 million	-25.1%
Total Plan	\$3.23 billion	-\$137.2 million	-4.1%

Fiscal 2016: General Fund	Recommended Amount	Change from Fiscal 2015	Percent Change
Budget	\$1.72 billion	\$72.8 million	4.4%
Positions	9,574	-552	-5.5%



Full-time Permanent Positions



Since the implementation of the 10-Year Plan, the City has **reduced** GF positions by **3%**. The workforce is now the ***smallest in modern history.***



Key Changes from Preliminary Budget

- \$4 million from fund balance for one-time employee bonuses
- Cost reductions to make Circulator operationally self-supporting from parking tax, grants and earned revenue
- Tobacco use premium surcharge and elimination of ED drug coverage for retirees
- \$4.8 million increase to GF paygo capital from Unisys settlement



General Fund CLS Cost Drivers

- FOP Contract: \$13.5M
- Fleet: \$8.2M
- Civilian Salaries: \$7M
- General Inflation: \$6.3M
- Risk Management: \$6.5M
- Circulator: \$6M
- Teacher Pension: \$3.1M
- Board of Elections: \$2.3M
- Affordable Care Act: \$2M



State and Federal Funding

- **Federal Funding, Recommended=\$151.3 Million**
 - The Fiscal 2016 budget includes a slight increase for formula grants awarded through Housing and Urban Development
 - The CDBG allocation is \$19.6 million, a \$30k increase from Fiscal 2014 levels
 - \$30.7 million for Homeless Services through Federal funding
 - \$22.4 million will be devoted to permanent housing efforts
- **State Funding, Recommended=\$107.2 Million**
 - The Fiscal 2016 budget includes the 3rd and final year of appropriation for the Customer Investment Fund
 - Baltimore has received \$52 million for energy projects spanning Fiscal 2014 through Fiscal 2016
 - \$2.0 million to support Charm City Circulator operations
 - Community Services Block Grant (CSBG) funding reduced by \$500K



Utility Funds

- The Stormwater rates from property owners will remain consistent with Fiscal 2015 levels.
- Water/Wastewater rates will increase 11% in Fiscal 2016.
- Major Highlights:
 - Updates to the City’s water meter system are expected to be complete by April 2016, which will improve meter reading and billing accuracy.
 - 230 million gallons of water and 205 million gallons of wastewater will be treated daily.
 - 99,588 linear feet of the water distribution system are targeted to be replaced or rehabilitated, a 39,000 increase versus Fiscal 2014.



Casino Local Impact Aid

- The Fiscal 2016 budget includes \$9.1 million to support projects in the Horseshoe Casino Area
 - \$6.9 million will be available for projects on July 1st; additional appropriation will become available if revenue exceeds \$6.9 million
- Spending plan was developed with community through Local Development Corporation
- Projects Include:
 - Workforce Training & Employment Connection Center, *\$685k*
 - Infrastructure upgrades, *\$1.5 million*
 - Public safety & sanitation services in the casino area, *\$2.4 million*
 - Community Enhancement Projects, *\$250k*



TEN YEAR FINANCIAL PLAN UPDATE



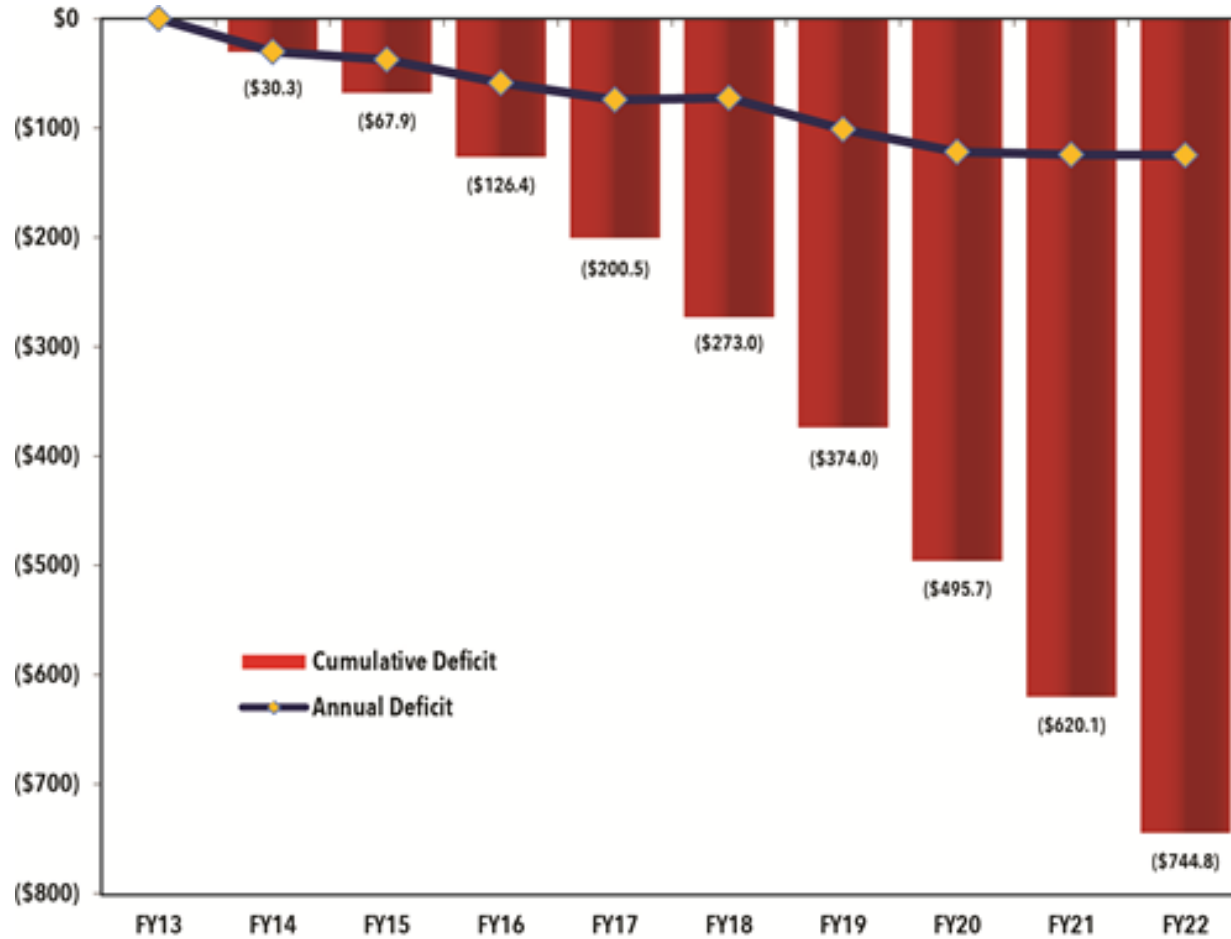
10-Year Plan: Fiscal 2016 and Beyond



- **Structural Budget Balance:** A hybrid pension system for new sworn fire and police employees, continued workforce streamlining, VOIP to reduce telephone costs, fleet rightsizing, further changes to health benefit cost-sharing.
- **Tax Competitiveness:** Establishment of a solid waste enterprise, renewal of existing MOU with City non-profits that offers an equitable approach to sharing the cost of services, property tax reduction beyond 2020.
- **Infrastructure Investment:** Continuation of PAYGO capital funding above baseline, increased GO Bond issues, extension of county transportation bond borrowing. Sale of parking garages proposed to fund recreation centers.
- **Addressing Long-Term Liabilities:** Meet budget stabilization reserve target, share retiree health benefit costs with BCPS, continue to rebalance employee compensation.



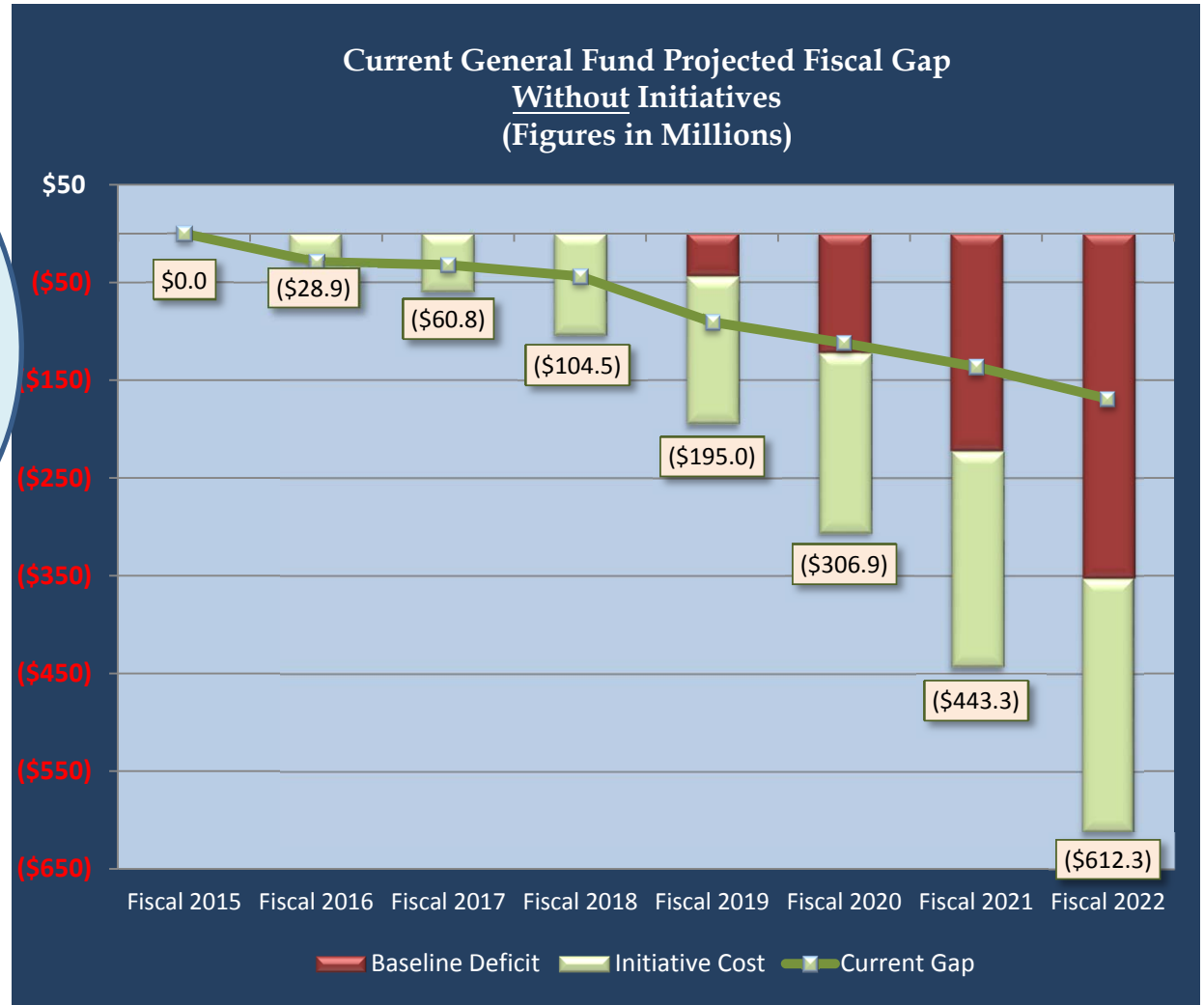
Original 10-Year Plan Projections





10 Year Plan leads to 53% reduction in cumulative gap

The **baseline deficit** of **\$352M** represents a **53% reduction** from the original cumulative gap of **\$745M**.





10 Year Plan: Initiatives Completed

Ten-Year Plan Initiatives: Completed (\$-millions)	
Initiative	Savings/(Costs)
Sunset Retiree Pharmacy	\$117.9
Stormwater	\$104.5
ERS Reform	\$80.5
Fire Shift	\$72.3
Improved Revenue Collection	\$40.0
FY14 Revenue Package	\$39.5
Dependent Audit	\$29.0
EZ Credit	\$11.0
Conduit Fund Overhead	\$6.8
Leave Reforms	\$5.7
BIF/ERF	\$5.7
A-time Reform	\$2.2
IT Modernization	(\$5.0)
County Transportation Bonds	(\$20.2)
MAPS Pay Plan	(\$23.1)
GO Bond Authority Increase	(\$27.8)
Budget Stabilization Reserve	(\$38.0)
Property Tax Reduction	(\$65.2)
PAYGO Capital Funding	(\$80.5)
Total	\$255.3

\$515
(savings)

-\$260
(costs)

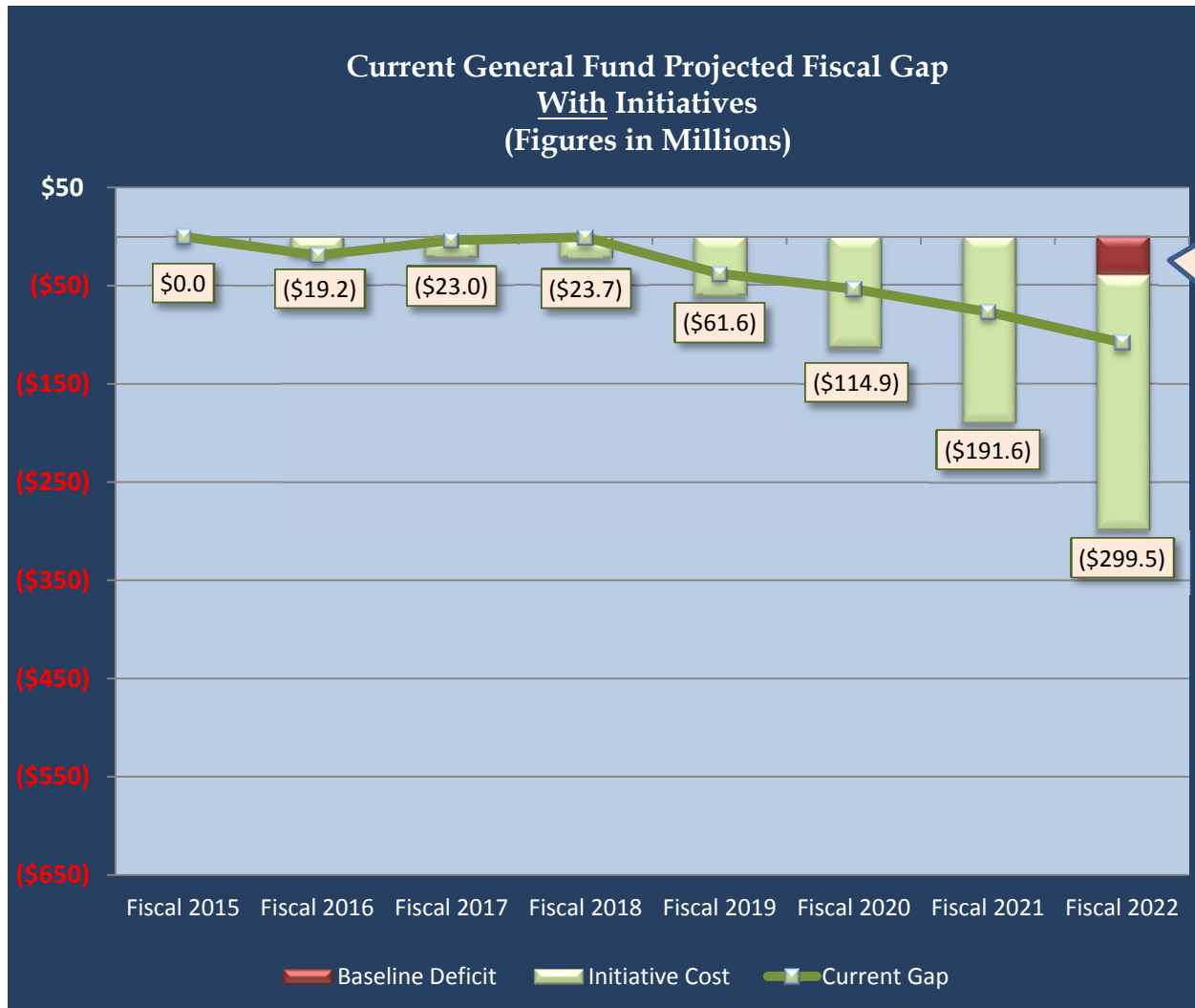


Changes vs. 10-Year Plan

10-Year Plan Cumulative Gap	(\$745M)
Initiatives Completed (Savings)	\$515M
Initiatives Completed (Costs)	(\$260M)
Expenditure Baseline Change	(\$357M)
Revenue Baseline Change	<u>\$235M</u>
Current Cumulative Gap	(\$612M)



10 Year Plan: Potential for further deficit reductions



Implementing the remaining initiatives, could reduce the **baseline deficit** to only **\$40M**. This is 5% of the original **\$745M** gap.



10 Year Plan: Future Initiatives

This is what we have left...

Ten-Year Plan Initiatives: Planned FY16-FY22 (\$-millions)	
Initiative	Savings/(Costs)
Streamline the Workforce	\$76.6
Restructure Health Cost-Sharing	\$63.9
FPERS New Hires	\$1.6
Right-Sizing of City Fleet	\$29.0
Retiree Healthcare Plan Changes	\$26.8
BCPS OPEB Liability	\$19.0
VOIP	\$18.5
Purchasing Reforms	\$9.6
Parking Management	\$10.9
IAFF 90 Days of Leave	\$7.6
Wellness	\$6.9
Other	\$54.6
Extend Tax Reduction	(\$12.1)
Total	\$312.8



Capital Funding

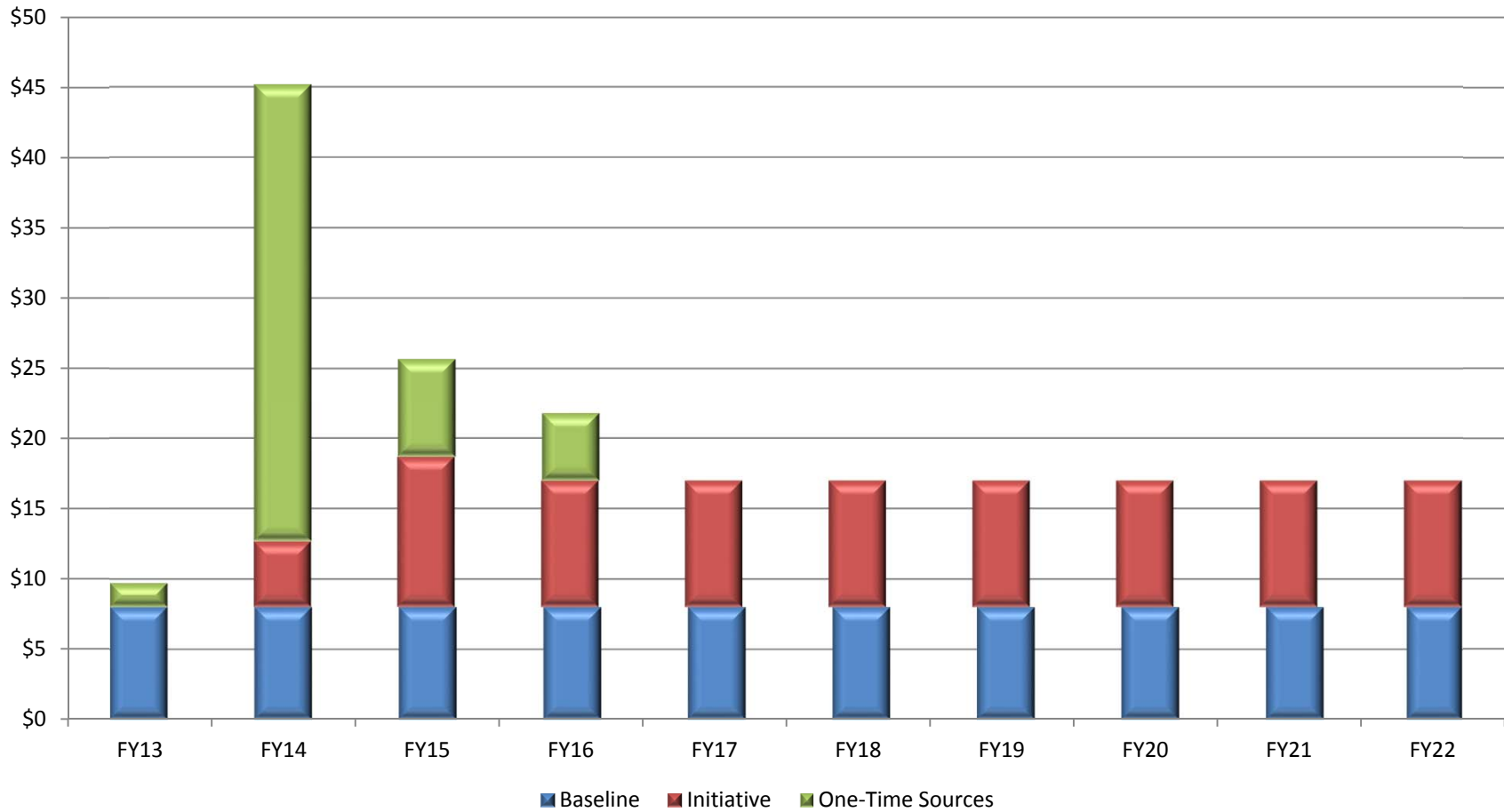
Capital Spending

(In \$ Millions)

	Forecast
Additional PAYGO above \$8M baseline	\$80
Increase GO Bond authority from \$50M to \$65M	\$105
Extend \$15M County Transportation Bond beyond FY15	\$105
One-time release of Fleet Reserve	\$30
Subtotal	\$320
Parking Garage Sale	\$50
Total	\$370



PAYGO Capital Funding

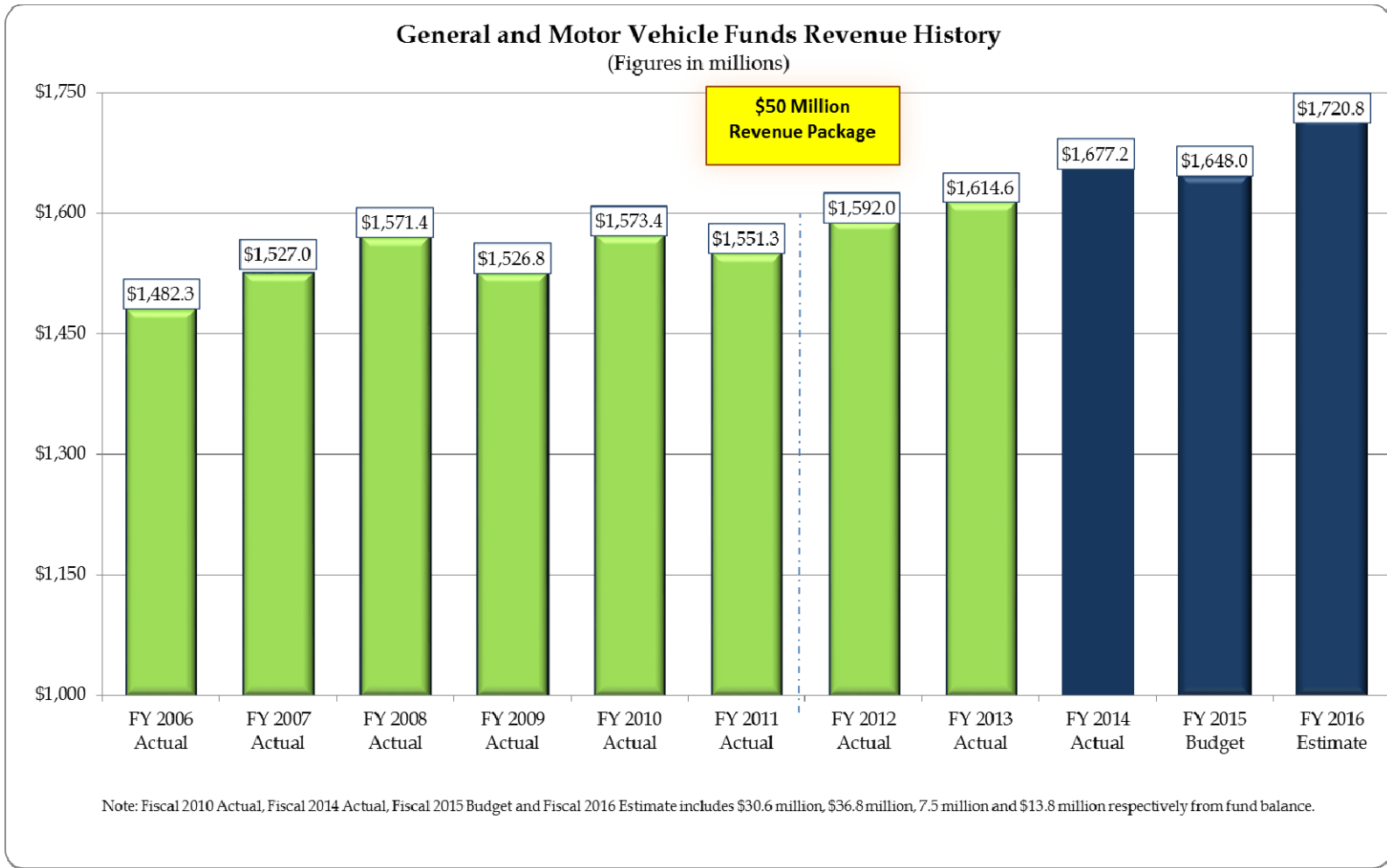




FISCAL 2016 REVENUE OUTLOOK



Revenue shows economic recovery



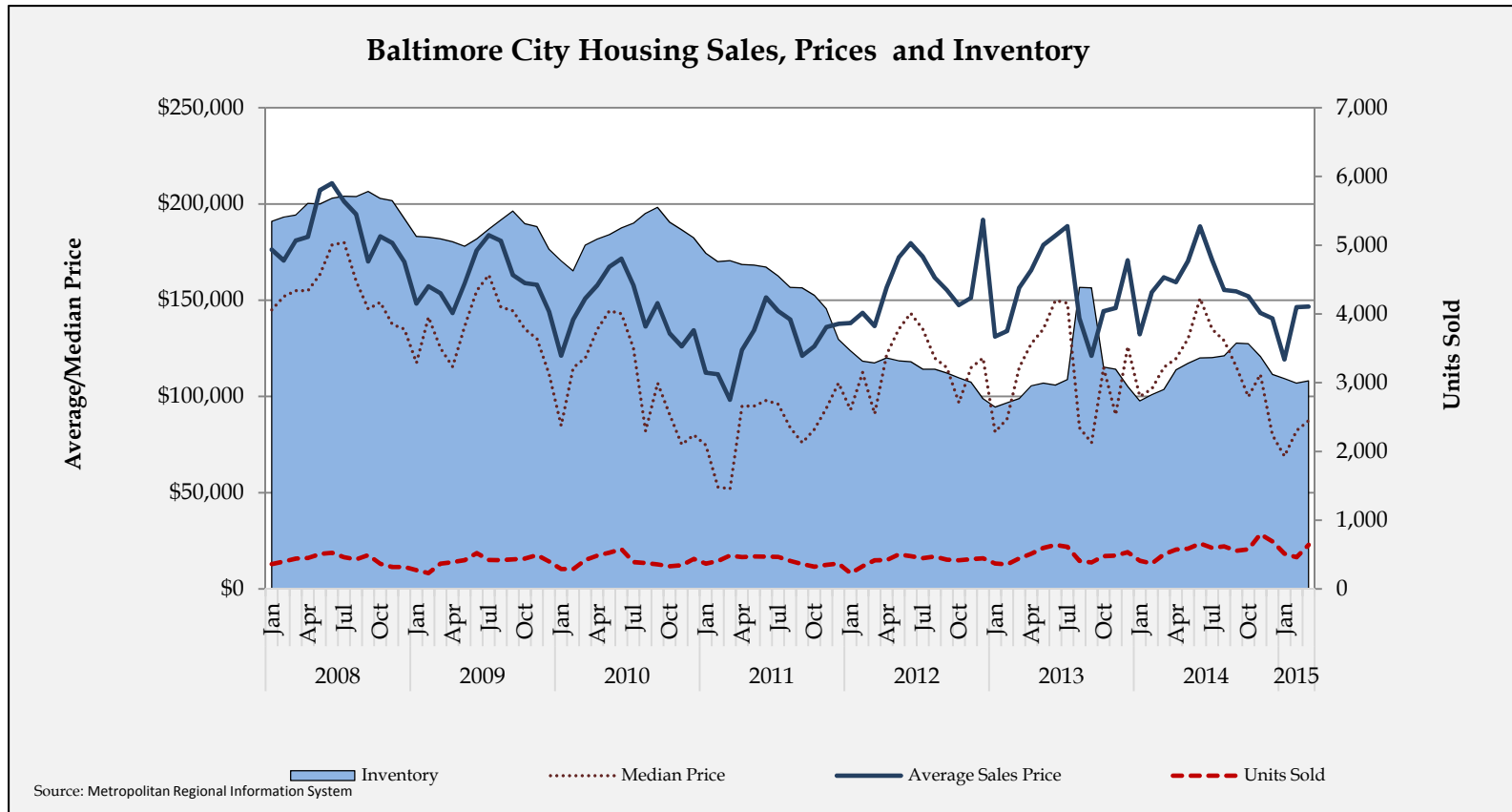


General Fund revenue grows by \$72.8M from Fiscal 2015 Budget

	Fiscal 2014 Actual	Fiscal 2015 Budget	Fiscal 2016 Estimated	Dollar Change	Percent Change
Revenue Category					
Property Taxes	\$781,940,192	\$784,858,000	\$857,184,430	\$72,326,430	9.2
Income Taxes	284,437,489	286,688,762	293,109,000	6,420,238	2.2
Highway User Revenues	132,276,865	136,102,428	137,796,122	1,693,694	1.2
State Aid	102,141,721	103,697,746	102,824,797	(872,949)	(0.8)
Energy Tax	40,863,560	41,061,000	41,689,000	628,000	1.5
Net Parking Revenue	43,423,495	35,914,179	37,590,861	1,676,682	4.7
Telecommunication Tax	33,389,054	33,523,000	34,021,000	498,000	1.5
Recordation Tax	37,777,174	31,868,000	29,054,000	(2,814,000)	(8.8)
Hotel Tax	26,744,860	27,420,912	27,451,063	30,151	0.1
Transfer Tax	36,767,342	27,354,000	28,499,000	1,145,000	4.2
Speed Cameras	1,271,391	0	2,500,000	2,500,000	100.0
Investment Earnings	1,053,328	1,200,000	1,426,000	226,000	18.8
All Other	155,143,598	138,312,329	127,707,974	(10,604,355)	(7.7)
Total General Fund Revenue	\$1,677,230,069	\$1,648,000,356	\$1,720,853,247	\$72,852,891	4.4

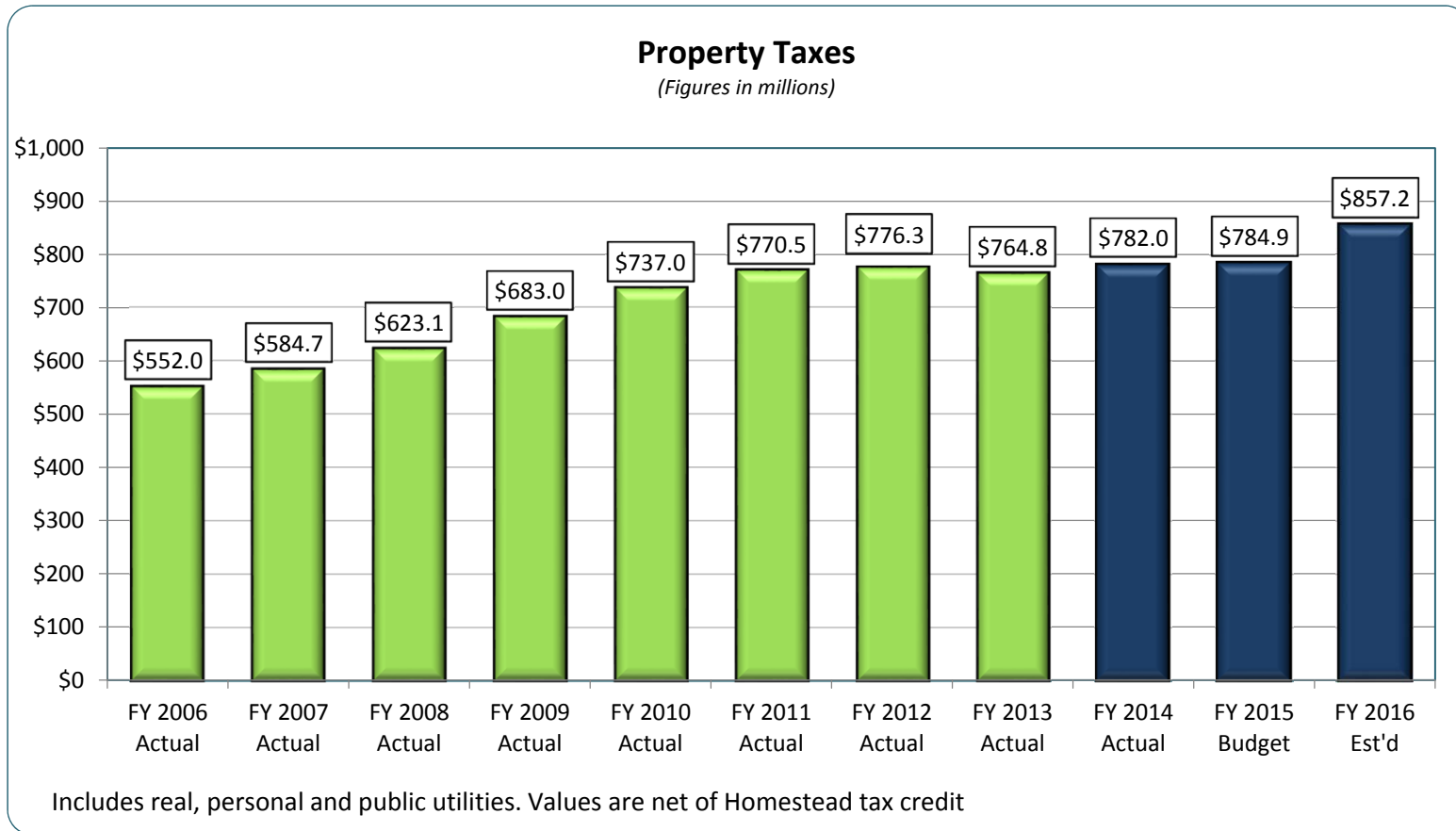


Housing market stable heading into Fiscal 2016



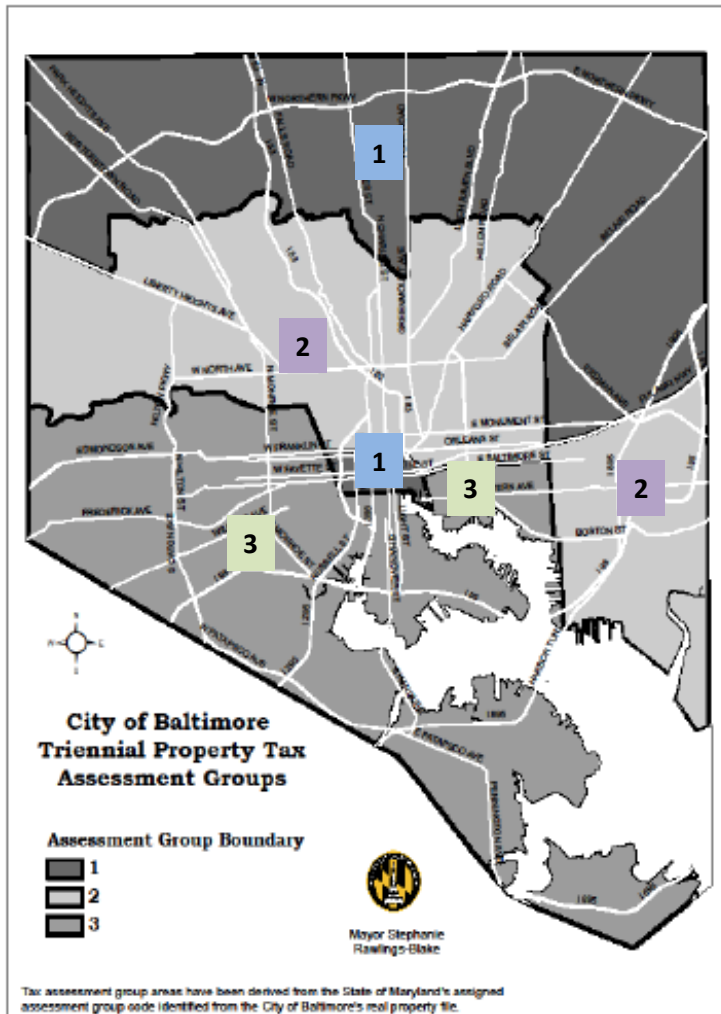


Property Tax projections reflect strong assessment values





Revenue: Property value growth leads to revenue increases

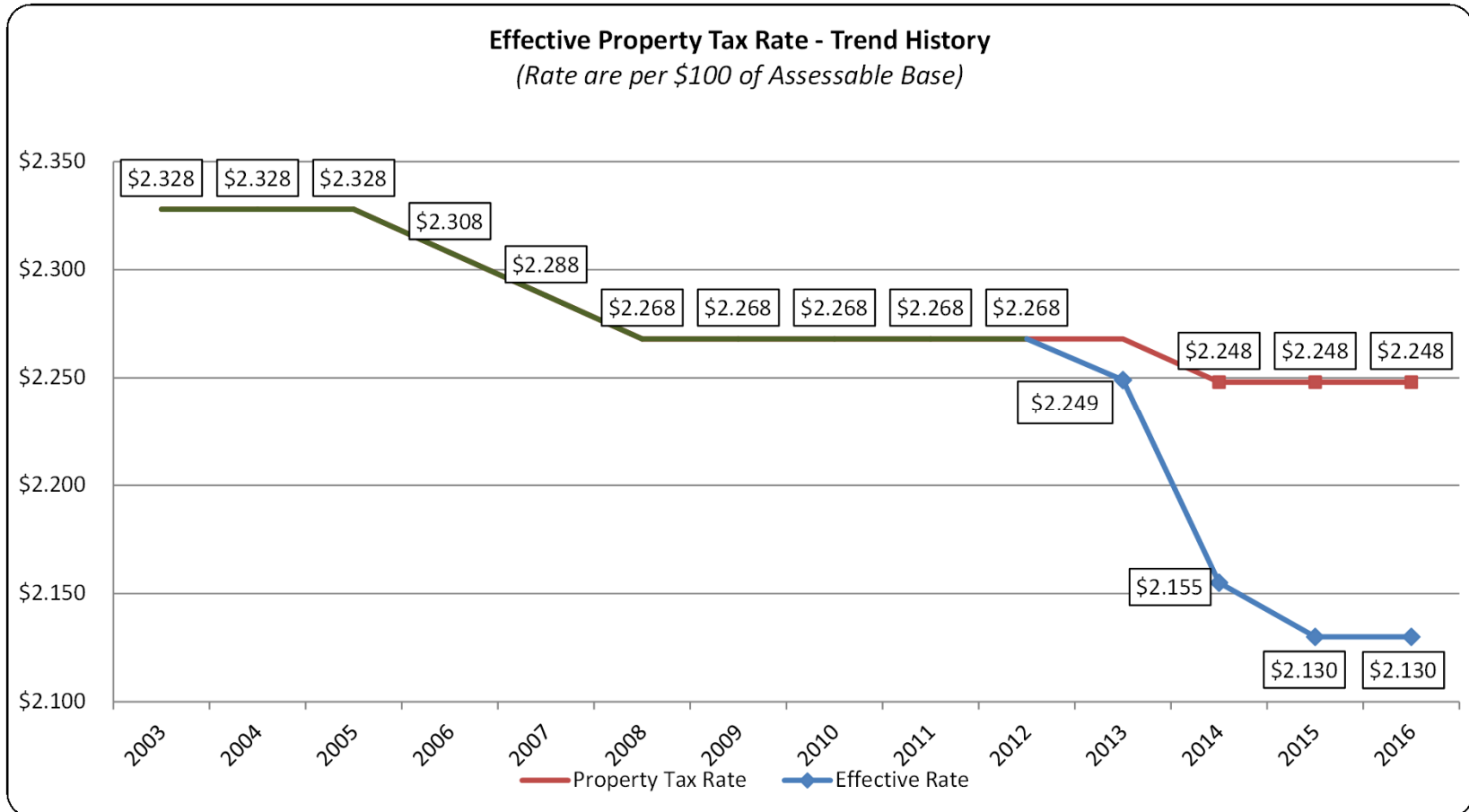


Fiscal Year	Assessment Reassessment	Assessment Group	Full Cash Value Assessment Increase	Phase-in Assessment Increase
2006		Group II	21.6%	7.2%
2007		Group III	45.6%	15.2%
2008		Group I	58.5%	19.5%
2009		Group II	75.0%	25.0%
2010		Group III	20.9%	7.0%
2011*		Group I	(2.6%)	0.0%
2012*		Group II	(8.7%)	0.0%
2013*		Group III	(6.8%)	0.0%
2014*		Group I	(3.1%)	0.0%
2015		Group II	7.0%	2.3%
2016		Group III	9.6%	3.2%

Two years of assessment increases after four years of decline

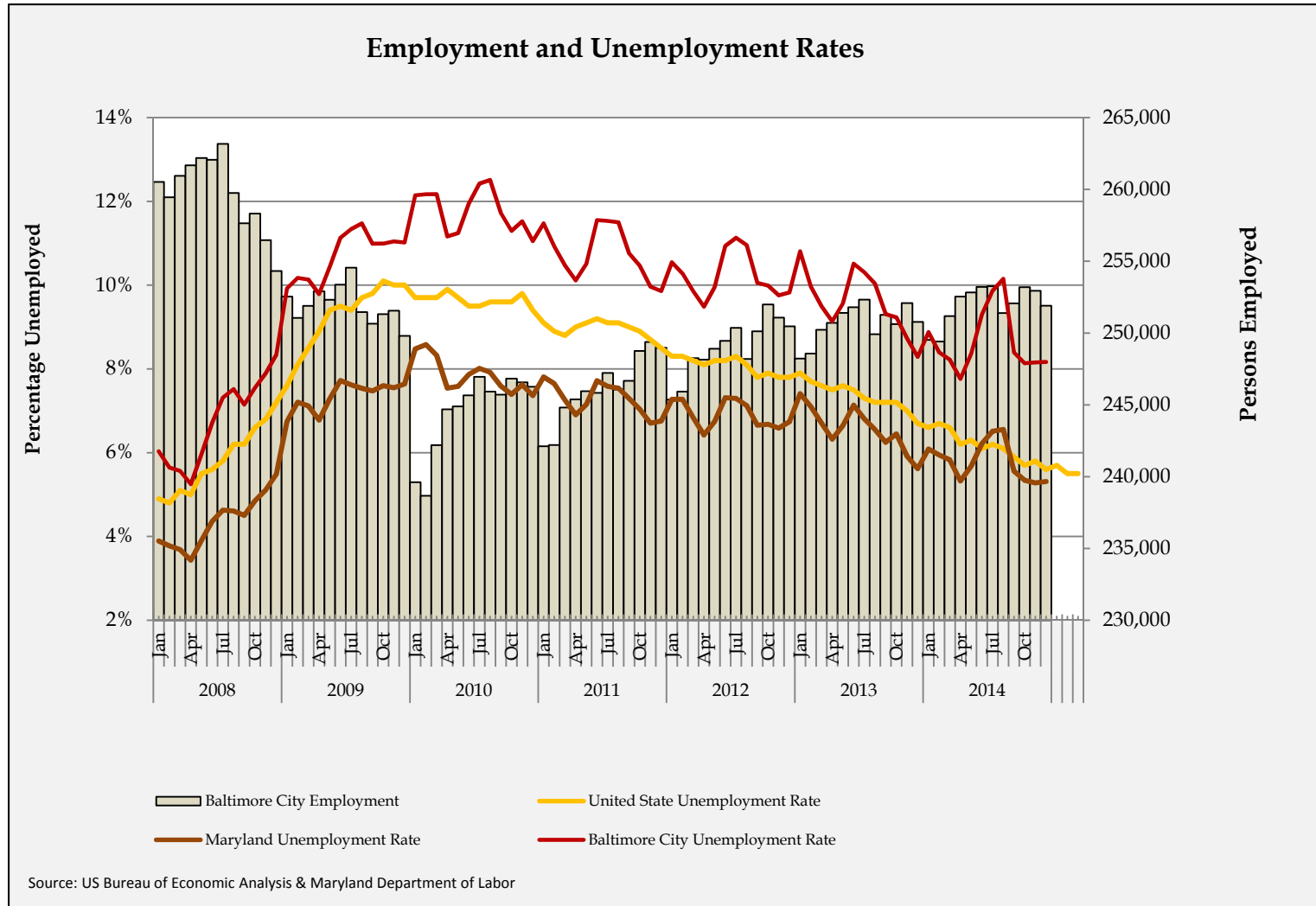


Property tax rate for homeowners is \$0.138 (6.1%) below 2012



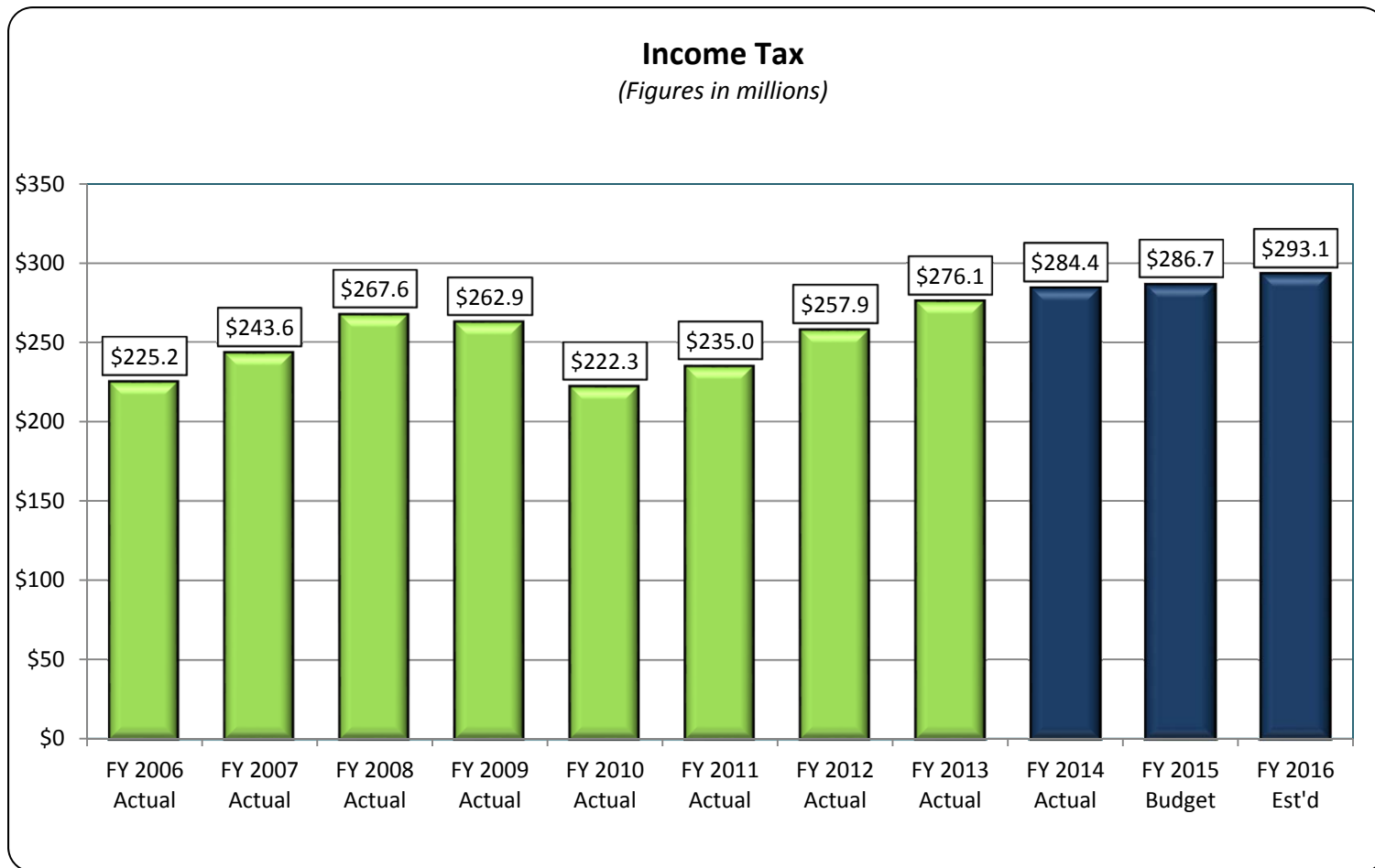


Slow and steady jobs recovery continues



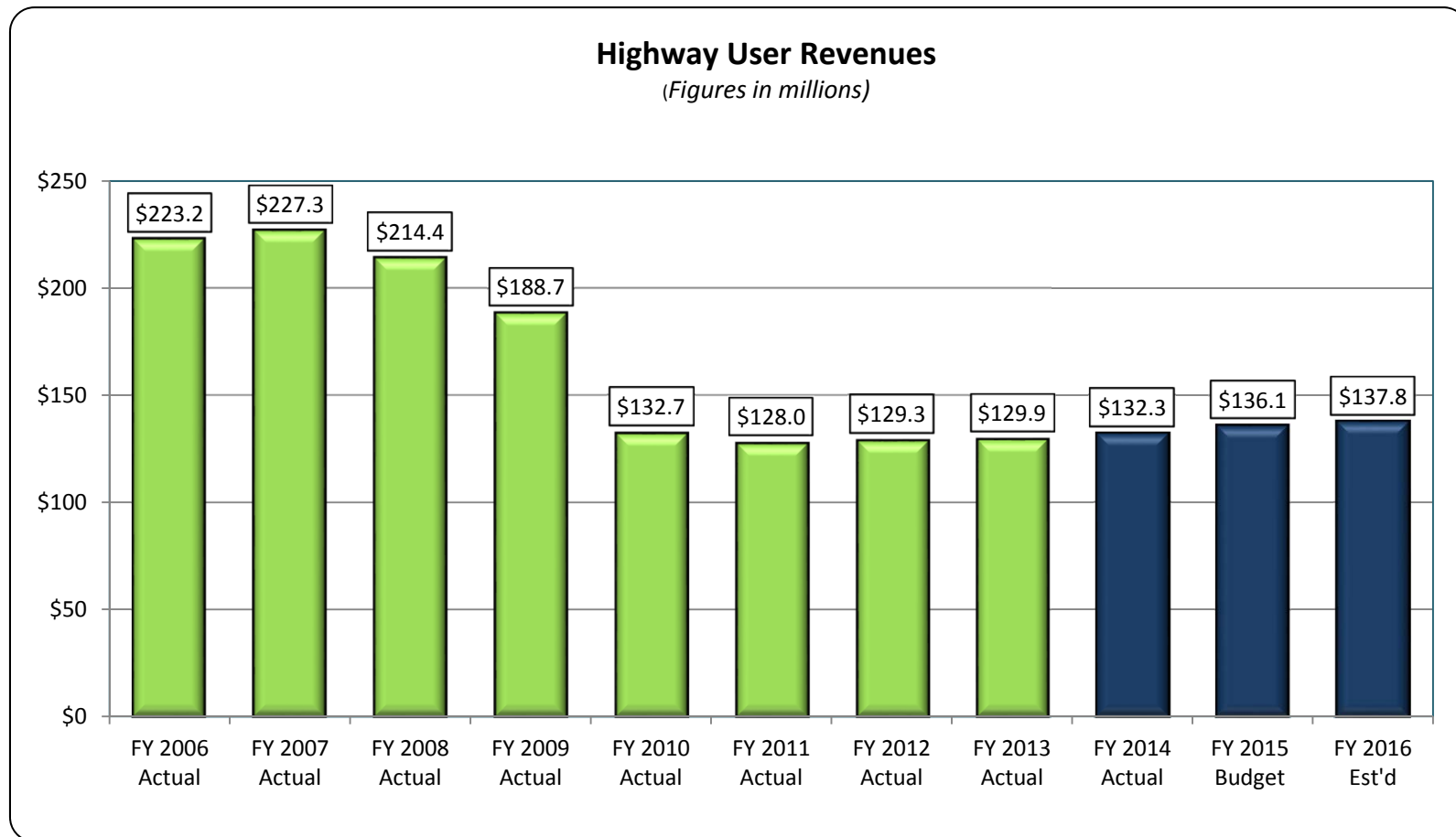


Income taxes reflect recovering labor market





Highway User Revenue slightly above Fiscal 2015





FIXED COST TRENDS

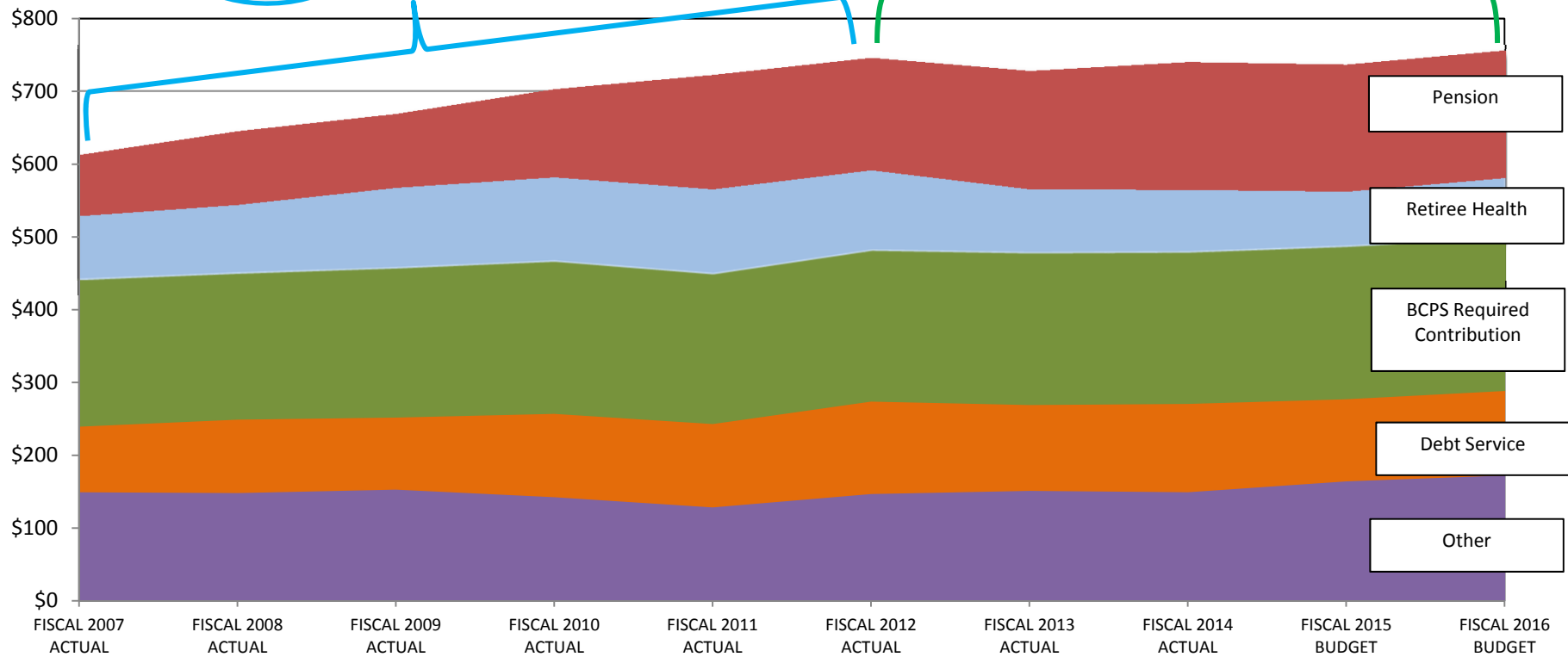


Fixed Costs by Category

Fixed costs increased by **22%** between FY'07 & '12

Then, the City implemented reforms to **bend the curve** of unsustainable costs

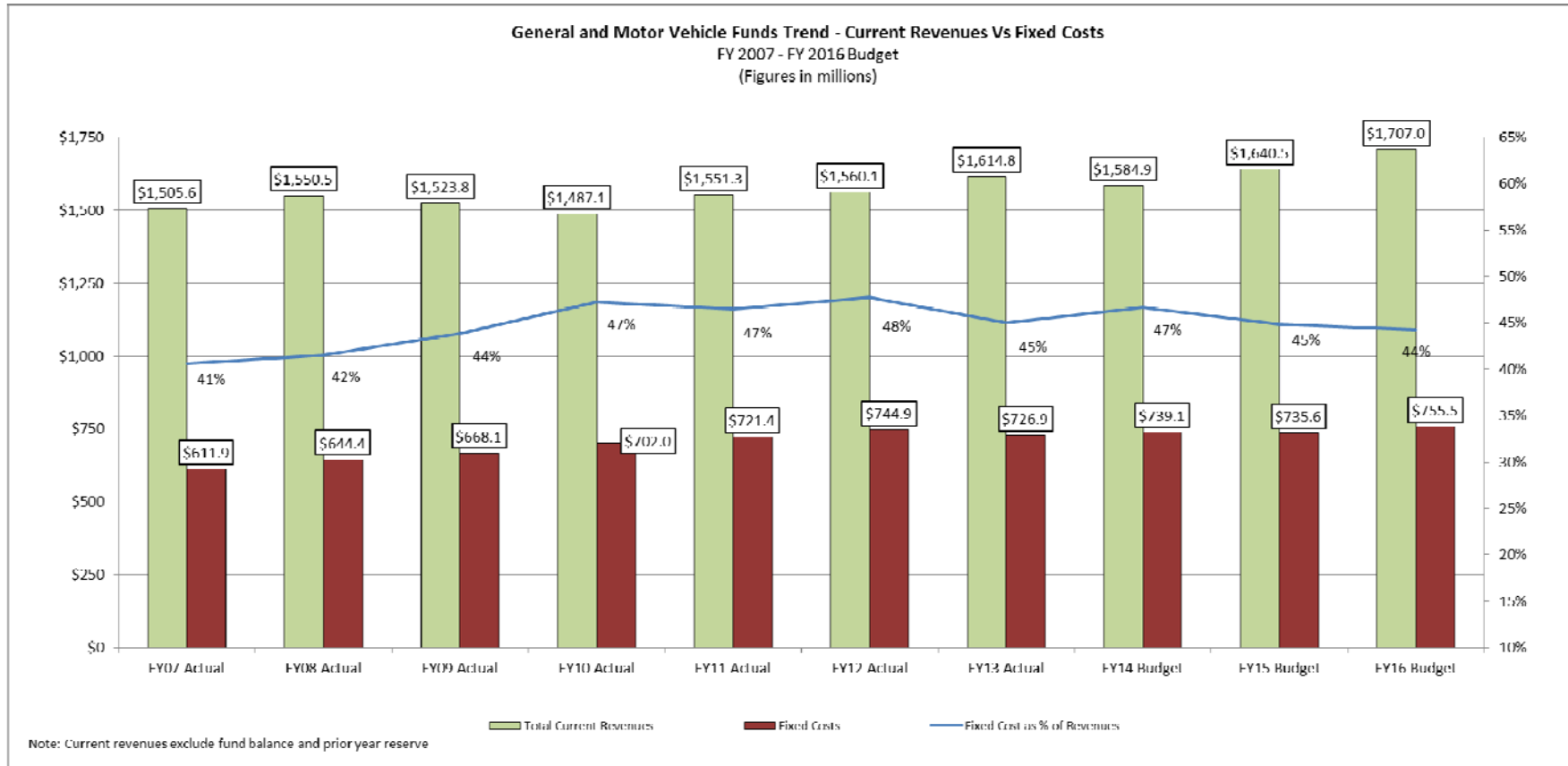
General Fund Fixed Costs Trend FY 2007 - FY 2016
(Figures in millions)



Note: Retiree health costs include Baltimore City Public Schools retirees.



Reforms continue to reduce the City's Fixed Costs



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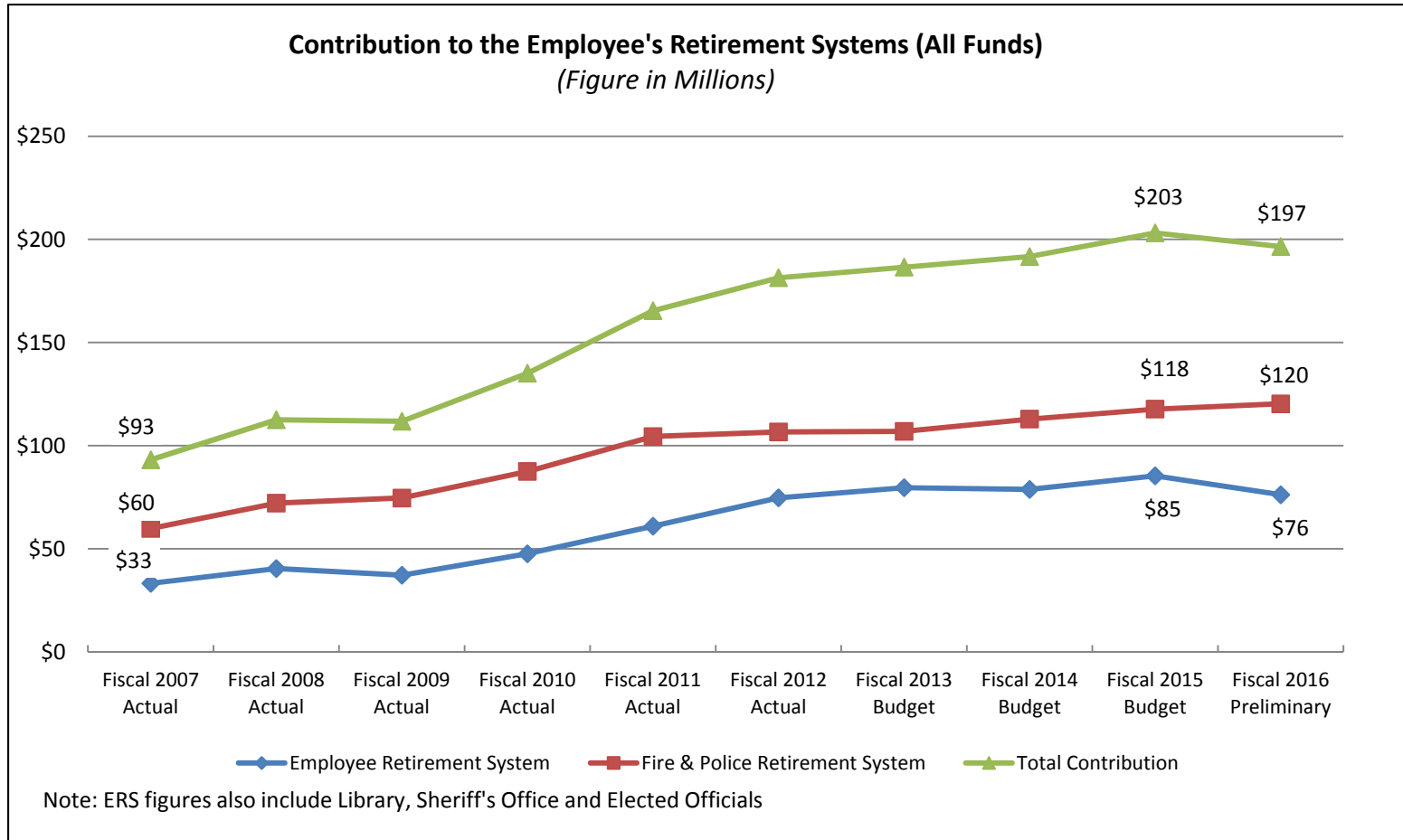
KA10

FY 16 should not include revenue from fund balance

Kleine, Andrew, 4/7/2015

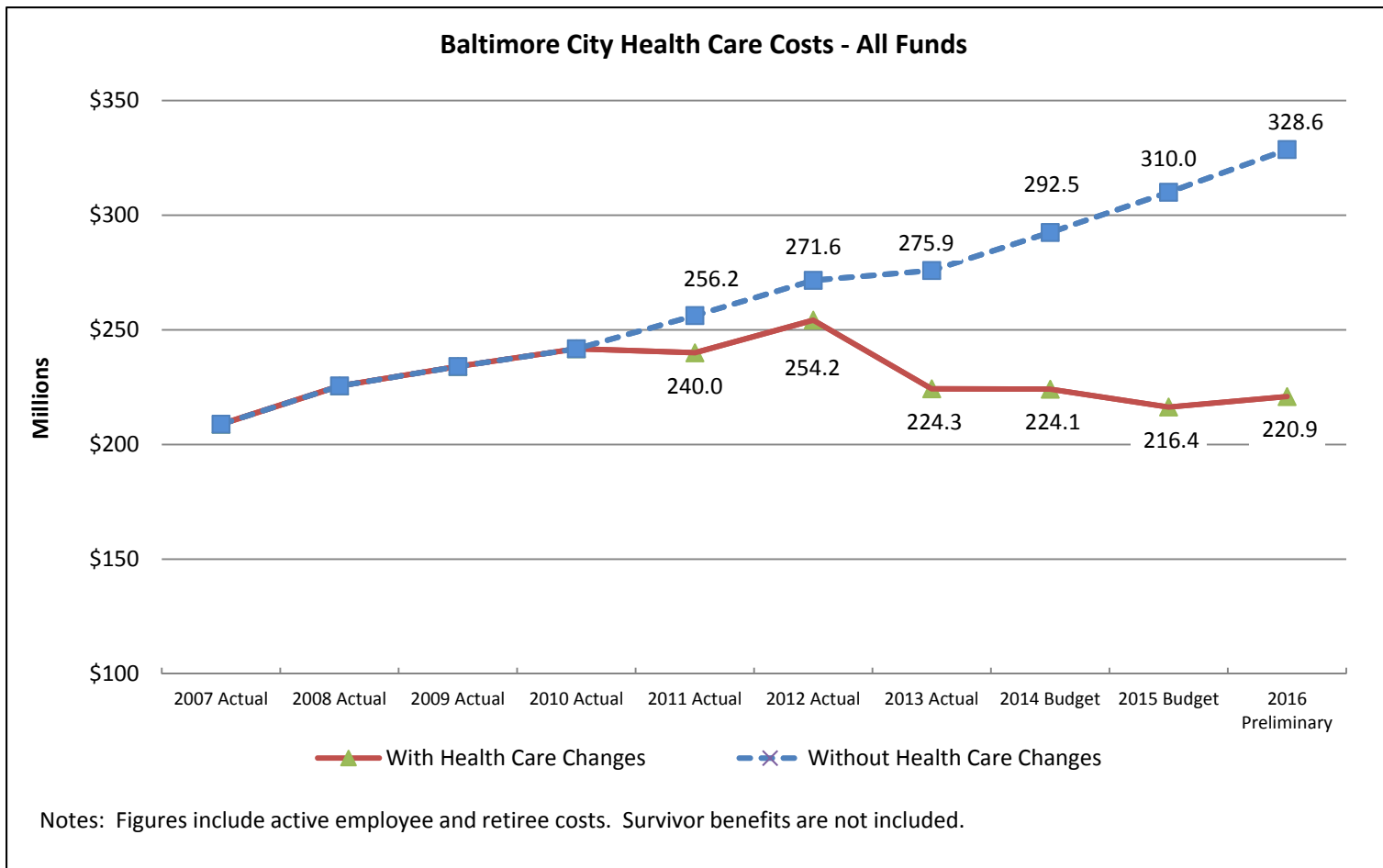


Reforms have led to lower contribution in Fiscal 2016





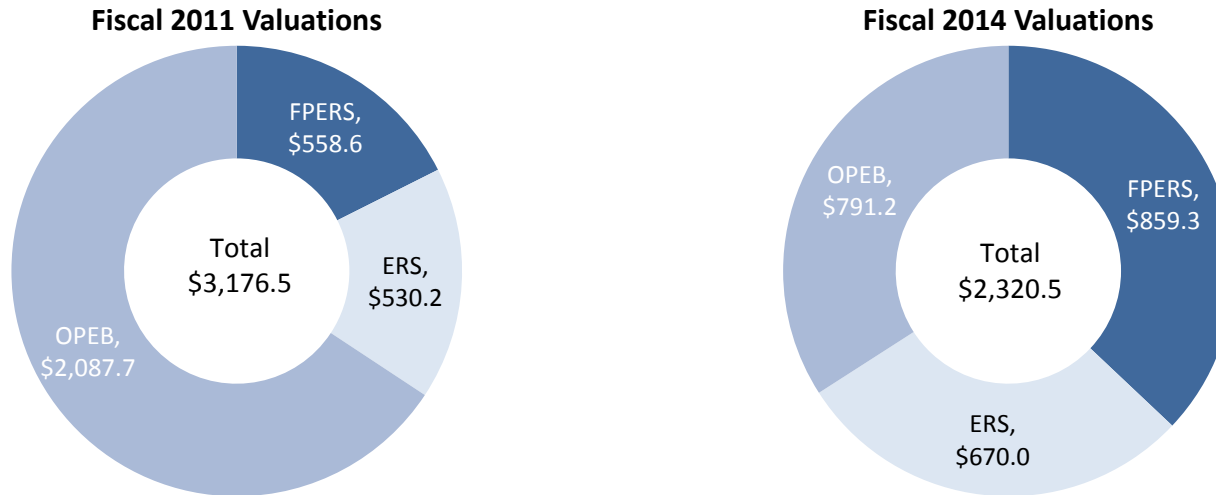
Health benefit reforms continue to save millions for the City





Unfunded liabilities have shrunk by \$856 million

Unfunded Pension and OPEB Liabilities
(Figures in Millions)



OPEB: Other post-employment benefits, namely retiree health care coverage.

FPERS: Fire and Police Employees' Retirement System.

ERS: Employee Retirement System for civilian employees.

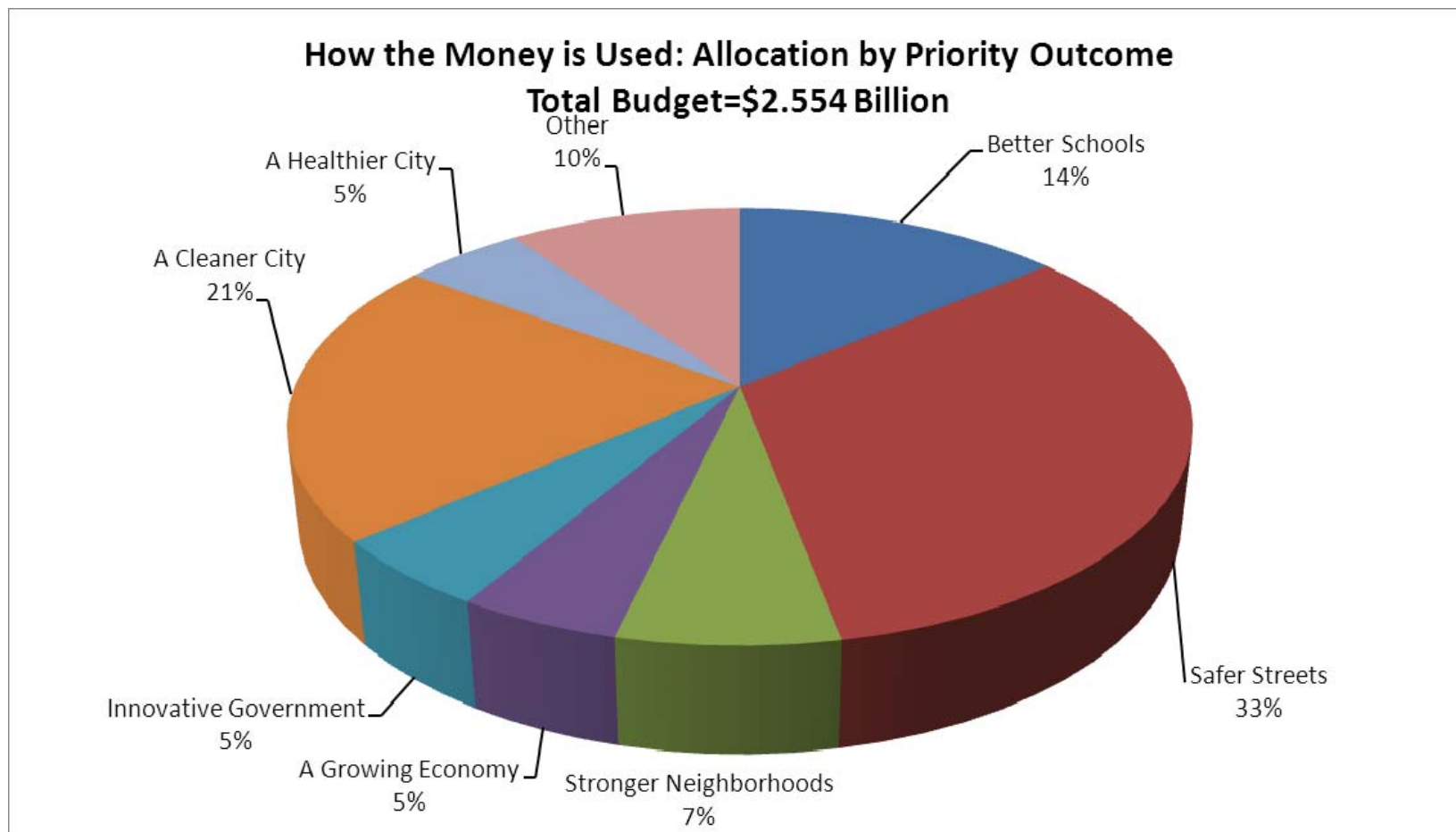
Note: The relatively small Elected Officials' Retirement System is not shown; this system was valued at \$21.2 million as of June 30, 2014, and was 126% funded.



RECOMMENDED BUDGET PLAN FOR FISCAL 2016



Fiscal 2016 Operating Budget





Indicators are measures of success in advancing Priority Outcomes

Grow Baltimore

Better Schools



- Kindergarten readiness rate
- 3rd grade reading proficiency
- BCPS graduation rate
- School attendance rate

Safer Streets



- Number of Shootings
- Property crime rate per 1,000 people
- % of citizens who say they feel safe in their neighborhood

Stronger Neighborhoods



- % of properties vacant
- Number of permits issued greater than \$5,000
- % of citizens who walk, bike or take public transportation to work, school and shopping
- Number of individuals taking part in recreational opportunities

A Growing Economy



- City resident employment rate
- Total number of jobs in Baltimore City
- Number of visitors

Innovative Government



- These services will focus on innovation in the management and delivery of their services to improve: (1) how fast they provide the service, (2) how efficiently they provide the service, and (3) whether the customer of the service is better off. Three services will be targeted through this Priority Outcome at any given time.

A Cleaner City



- Recycling rate
- City-wide energy use
- Water infrastructure reliability
- Watershed water quality

A Healthier City



- Number of drug-related ER visits
- Rate of heart disease
- Number of childhood asthma ER visits

KA4

Hard to read Growing Economy indicators

Kleine, Andrew, 4/7/2015

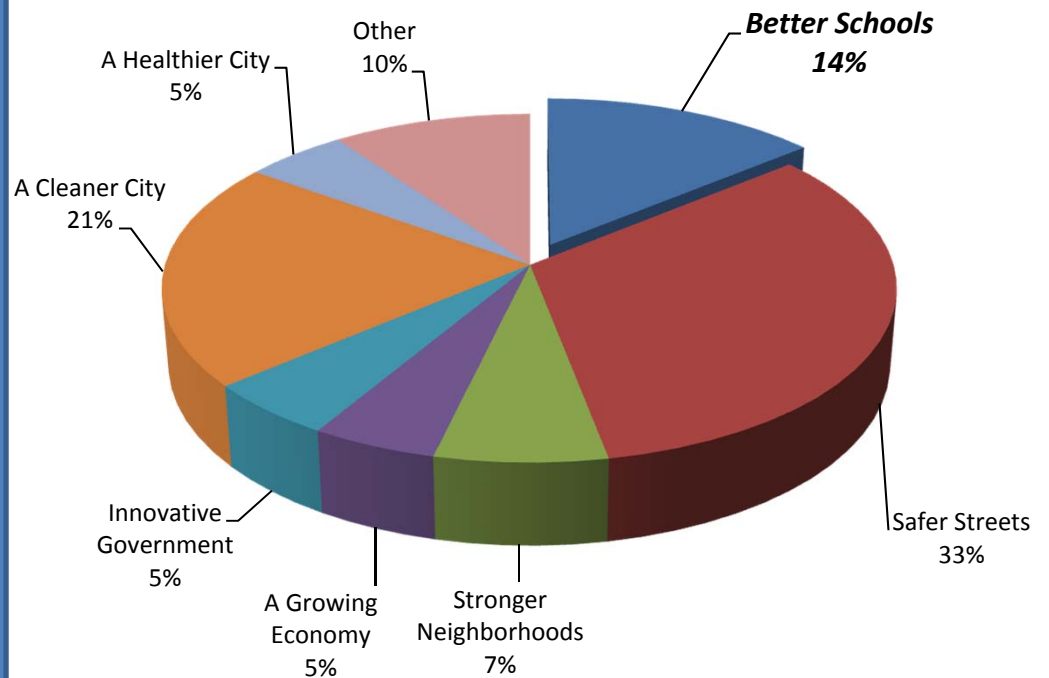


Better Schools

Total Operating Budget=\$357.8M

- Key Updates
 1. Fully funds MOE for BCPS
 2. Increases funding for B'more for Healthy Babies campaign
- Capital Investments
 1. \$38.7M for school construction & renovation
 2. \$19.8M for renovations to Central Library
 3. \$2.5M for implementation of the INSPIRE plan

How the Money is Used
Total Budget=\$2.554 Billion



- ➡ Kindergarten readiness rate
- ➡ BCPS graduation rate
- ➡ 3rd grade reading proficiency
- ➡ School attendance rate



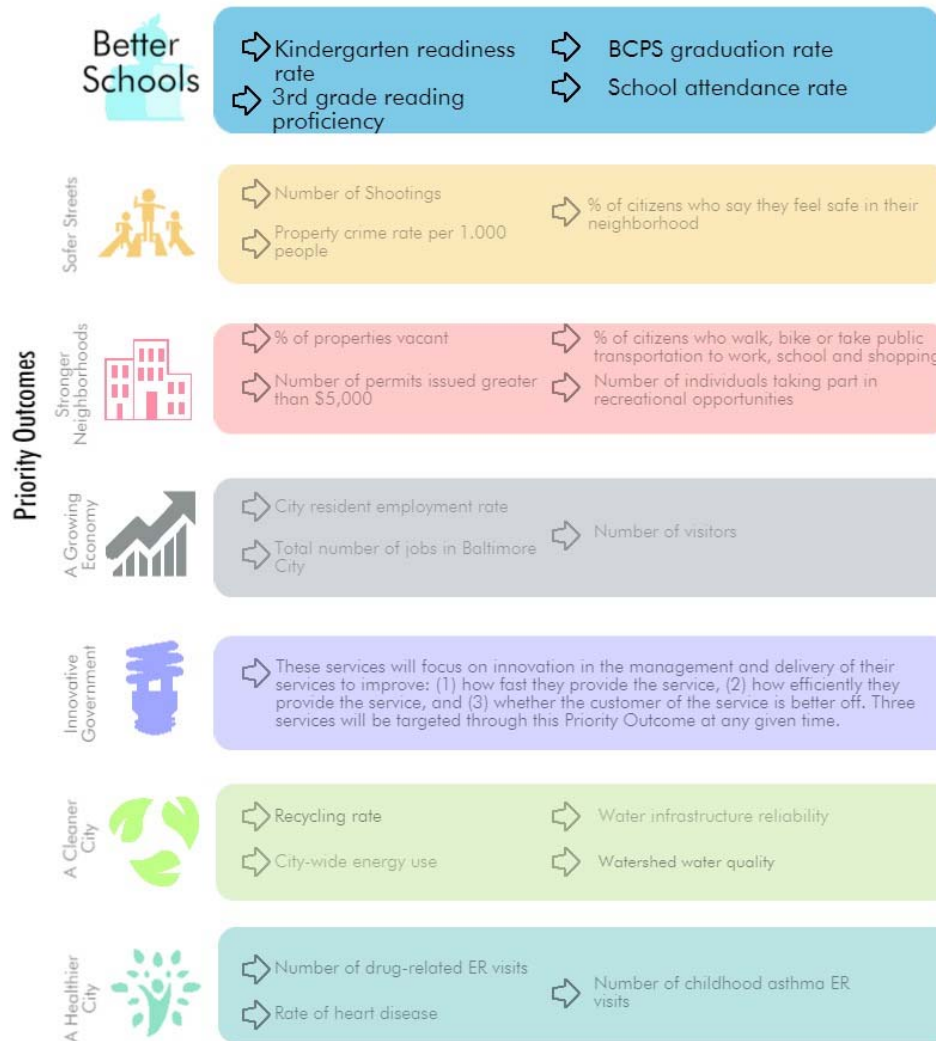
Better Schools

- Attendance
 - The Family League of Baltimore will provide after-school programming for 28,000 students
- Kindergarten Readiness
 - Head Start will provide expanded summer learning opportunities
- 3rd Grade Reading Proficiency
 - The Enoch Pratt Free Library will provide summer reading for 50,000 students
- BCPS Graduation Rate
 - MOED will provide YouthWorks opportunities for 5,000 students

GROW BALTIMORE



Indicators

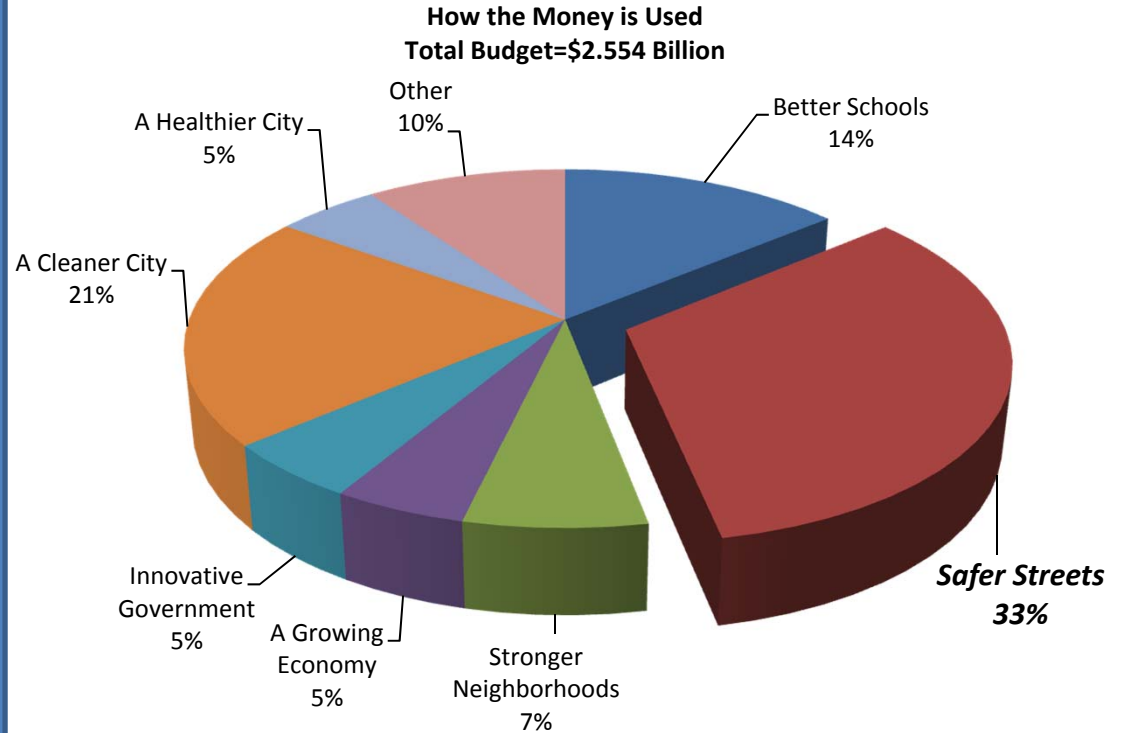




Safer Streets

Total Operating Budget=\$842.4 Million

- Key Updates:
 1. New police schedule will deploy officers in shifts reflective of demand
 2. Two-Tier EMS will improve Fire Department response times
- Capital Investments
 1. \$980k for upgrades to City fire facilities



➡ Number of Shootings

➡ Property crime rate per 1,000 people

➡ % of citizens who say they feel safe in their neighborhood



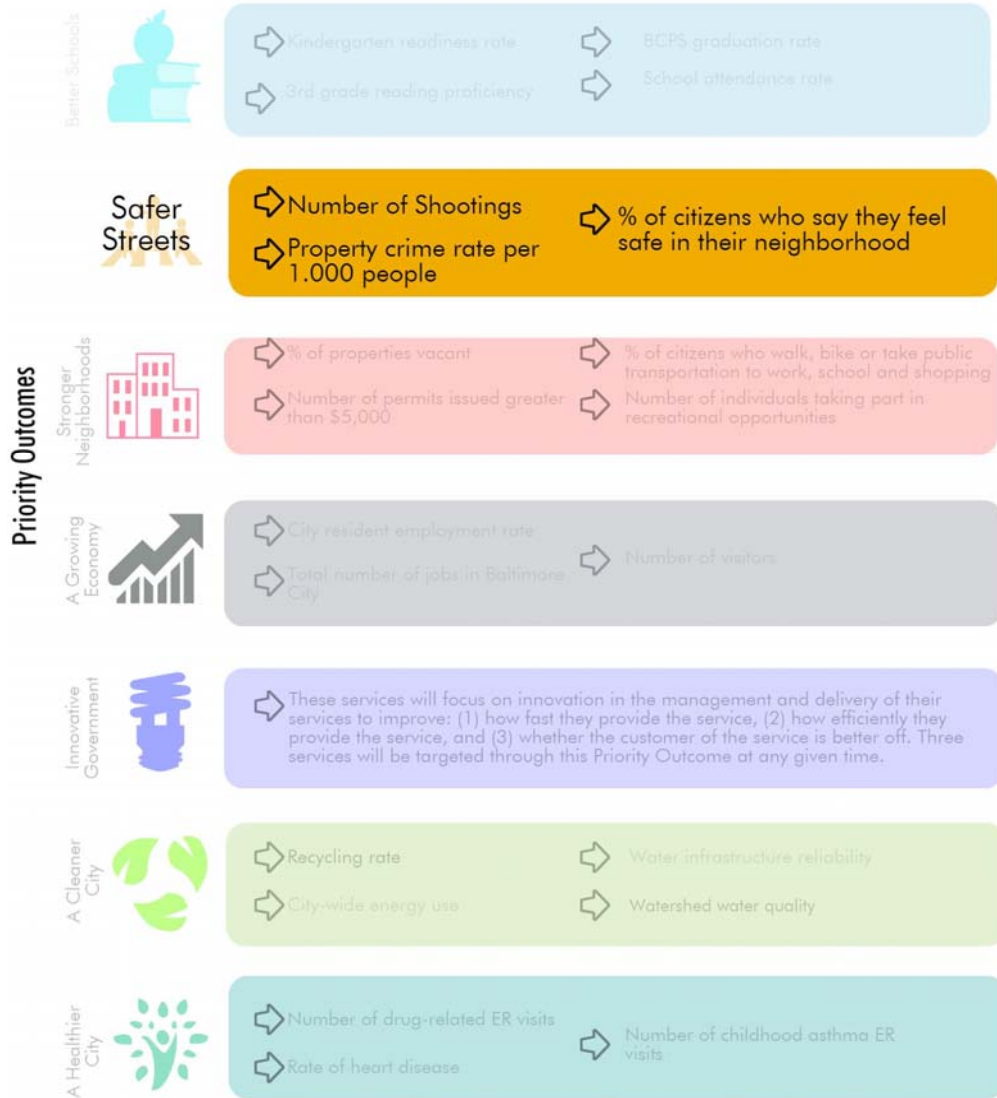
Safer Streets

- Number of Shootings
 - Special Enforcement within the Police Department will seek to reduce the number of shootings in high crime zones by 25%
- Property Crime Rate
 - Homeland Security will seek to increase the number of computer & electronic crime investigations by 15%
- Citizen Perception of Safety
 - New police patrol schedule will allow for more proactive policing and greater neighborhood presence.

GROW BALTIMORE



Indicators



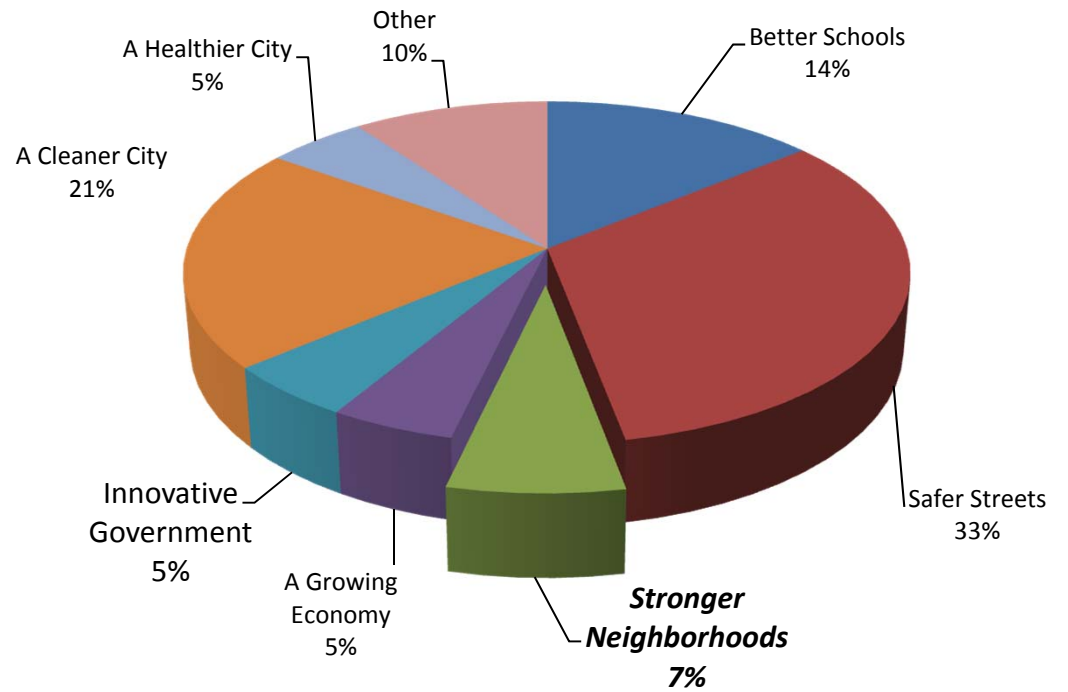


Stronger Neighborhoods

Total Operating Budget=\$171.1 M

- Key Updates:
 1. Enhanced marketing efforts related to the Resident Retention Tax Credit
 2. An expanded Rat Rub-Out program will focus on proactive treatment for neighborhood rat abatement
- Capital Investments
 1. \$10M for Whole Block Demolition
 2. \$14.4M for recreational upgrades
 3. \$10M for street resurfacing

**How the Money is Used
Total Budget=\$2.554 Billion**



- ➡ % of properties vacant
- ➡ Number of permits issued greater than \$5,000
- ➡ % of citizens who walk, bike or take public transportation to work, school and shopping
- ➡ Number of individuals taking part in recreational opportunities



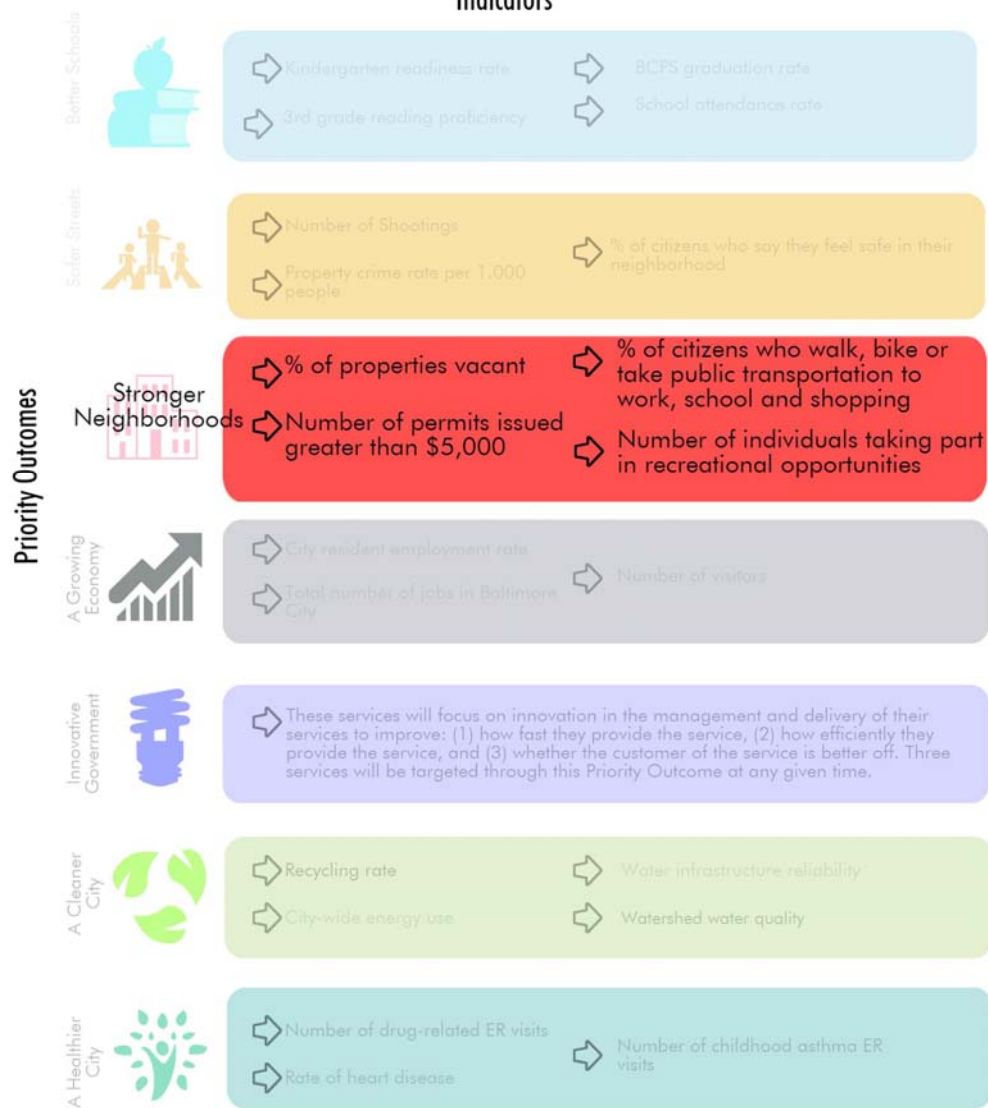
Stronger Neighborhoods

- Percent of Vacant Properties
 - Housing Code Enforcement will seek to make 1,200 vacant properties habitable as a result of code enforcement, a 34% increase from FY14
- Construction Permits Issued
 - HCD will continue to increase the number of property renewal options available online
- Citizens utilizing alternative forms of transportation
 - DOT will implement a Bikeshare program; the service seeks to have 10% of rides replace car trips
- Citizens Taking Part in Rec Programming
 - Rec & Parks will expand the use of RecPro to track participation in programming

GROW BALTIMORE



Indicators



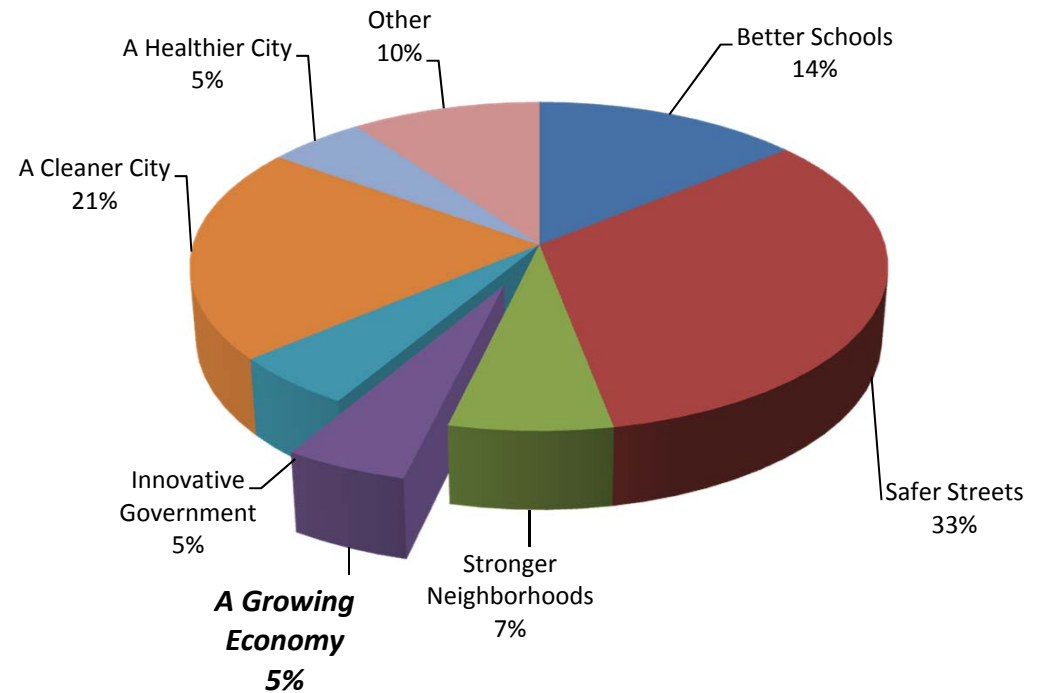


A Growing Economy

Total Operating Budget=\$125.1 M

- Key Updates:
 1. A streamlined approach to the City's Special Event process
 2. Enhanced funding for technology upgrades to support employment development initiatives
- Capital Investments
 1. \$9.8M for economic development initiatives
 2. \$2.0M to begin renovation efforts at the Lexington Market
 3. \$2.2M for capital investments at various cultural institutions throughout the City

How the Money is Used
Total Budget=\$2.554 Billion



↔ City resident employment rate

↔ Total number of jobs in Baltimore City

↔ Number of visitors



A Growing Economy

- City Resident Employment Rate
 - MOED will seek to provide employment development services to 24,000 residents through the Career Center Network
- Total Number of Jobs in Baltimore
 - The Small Business Resource Center will support 545 business starts, a 10% increase from FY14
- Number of Visitors
 - BOPA will support 30 events and programs throughout the year with the goal of 1.1M in total attendance

GROW BALTIMORE



Indicators

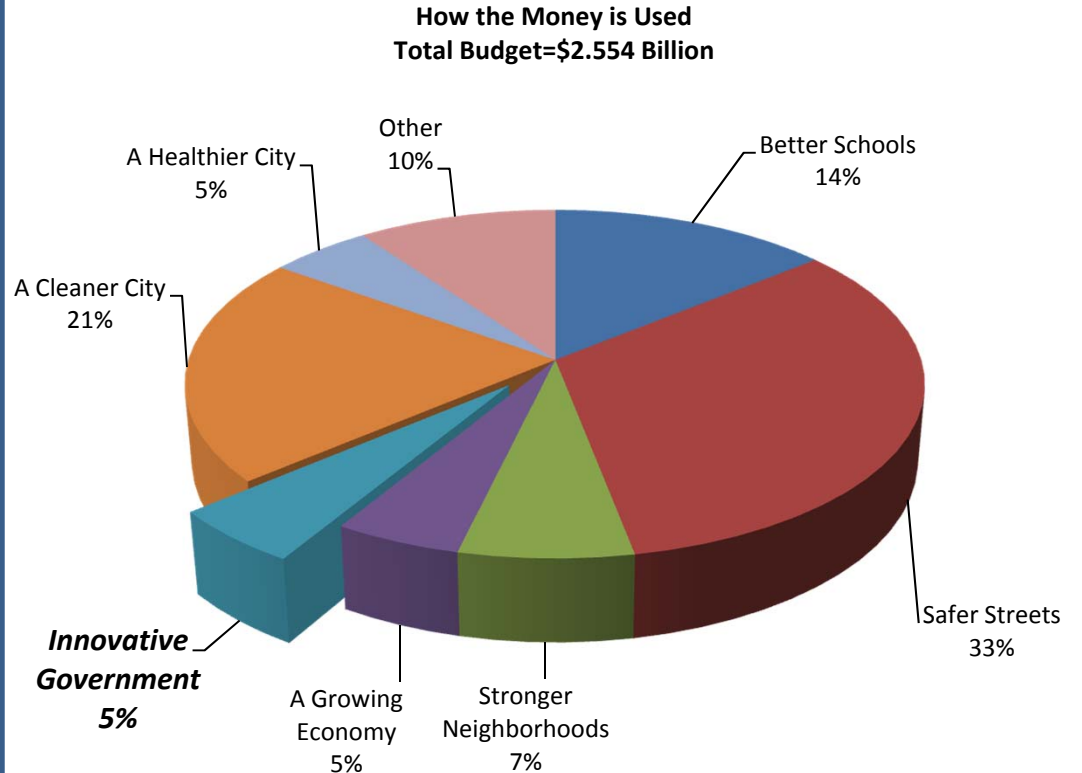




Innovative Government

Total Operating Budget=\$221.3M

- Key Updates:
 1. MOIT will launch a Data Warehouse to support analytics
 2. New DGS project management software will increase the number of projects completed on time and on budget
- Capital Investments
 1. \$750k to upgrade the digital logging recorder utilized by Fire & Police for call taking and dispatching



These services will focus on innovation in the management and delivery of their services to improve: (1) how fast they provide the service, (2) how efficiently they provide the service, and (3) whether the customer of the service is better off. Three services will be targeted through this Priority Outcome at any given time.



Innovative Government

- Continual Process Improvement
 - The Lean Government Initiative will improve customer service
 - Human Resources will work with agencies to implement Pay for Performance for managerial and professional positions
 - DGS will seek to increase preventative maintenance at City-owned facilities to reduce complaints
 - Fleet modernization will continue with the purchase of 505 new vehicles

GROW BALTIMORE

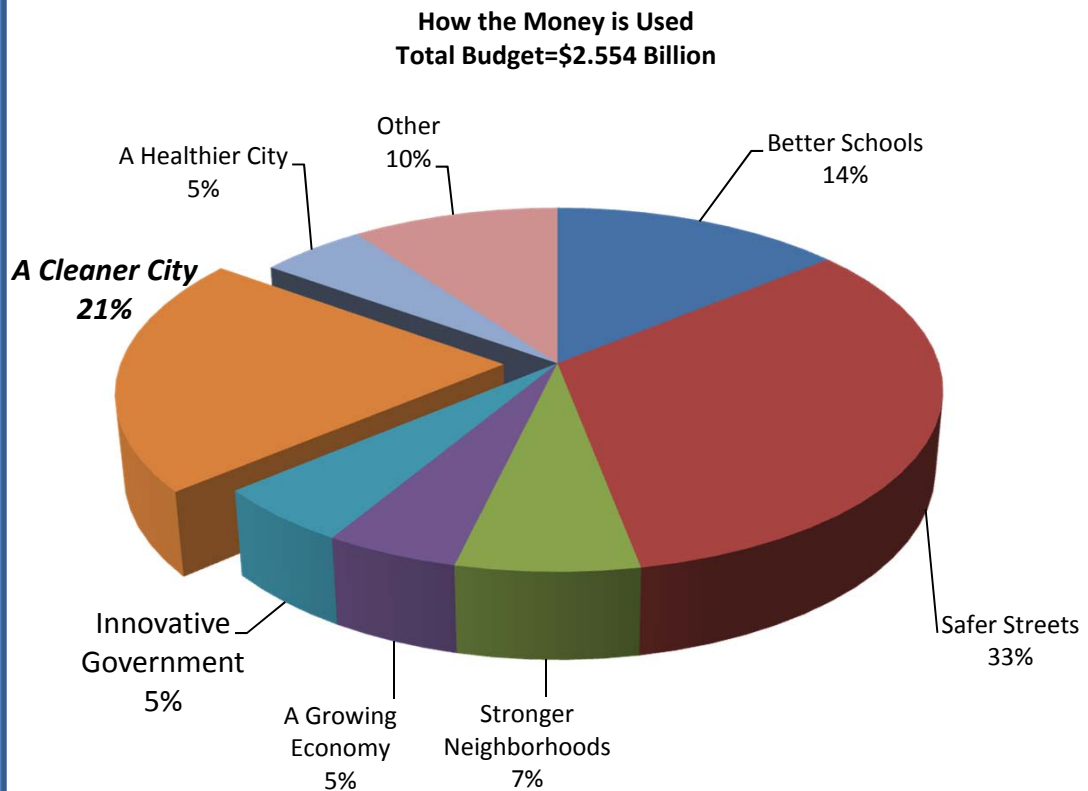




A Cleaner City

Total Operating Budget=\$542.3M

- Key Updates:
 1. Urban Forestry will expand its Proactive Tree Pruning program and conduct a Citywide Tree Inventory
 2. DPW will expand the street sweeping program to include alley cleaning
- Capital Investments
 1. \$2.5M for improvement to NW Transfer Station
 2. \$457.1M for various Water & Wastewater projects



- Recycling rate
- City-wide energy use
- Water infrastructure reliability
- Watershed water quality



A Cleaner City

- **Recycling Rate**
 - DPW will continue working to increase the tonnage diverted through recycling to 35% (the FY14 actual was 23%)
- **Citywide Energy Usage**
 - The Sustainability Office will continue to implement the Baltimore Energy Challenge with the goal of reducing energy consumption by 5% in targeted areas
- **Watershed Water Quality**
 - Stormwater Management efforts will seek to treat 250 acres of impervious surface, a 100% increase from FY14
- **Water Infrastructure Reliability**
 - DPW will seek to replace/rehabilitate 99,588 linear feet of the water distribution system

GROW BALTIMORE



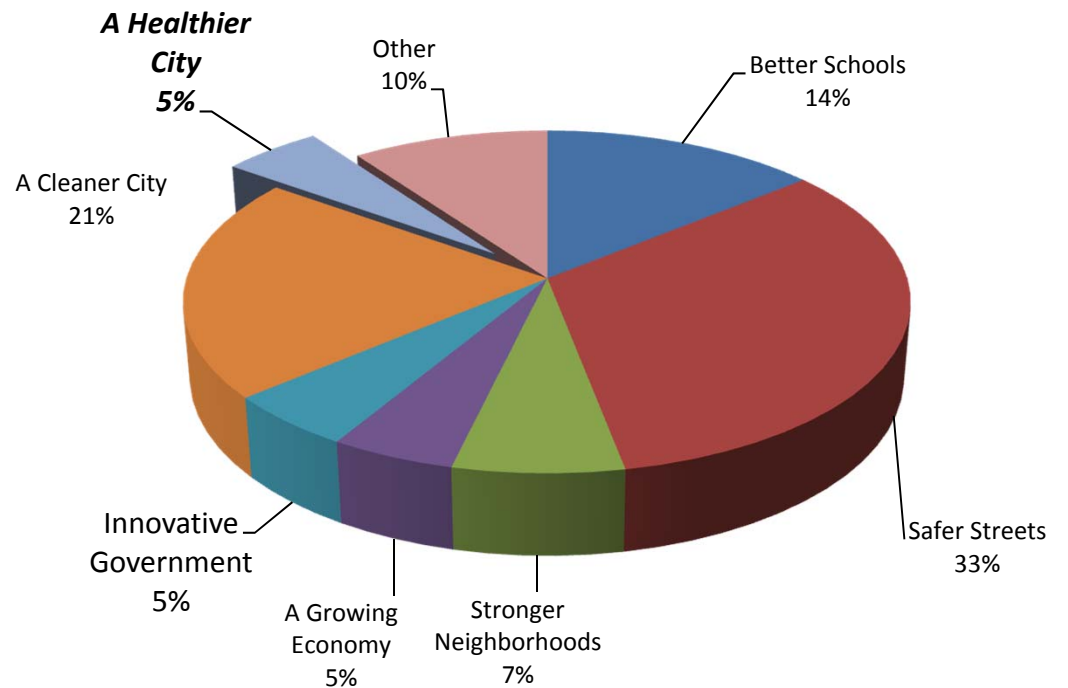


A Healthier City

Total Operating Budget=\$130.8M

- Key Updates:
 1. Automation efforts within Healthy Homes will make case workers more effective
 2. A collaborative among Health, Planning, and BDC will continue implementation of the Baltimore Food Policy Initiative, specifically the Virtual Supermarket
- Capital Investments
 1. \$3.0M to relocate the Eastern Health Clinic to a more modern facility

How the Money is Used
Total Budget=\$2.554 Billion



Number of drug-related ER visits
 Rate of heart disease

Number of childhood asthma ER visits



A Healthier City

- Rate of Drug-Related ER Visits
 - The Health Dept will provide training to 400 healthcare professionals regarding treatment options for individuals suffering from substance abuse
- Rate of Heart Disease
 - Through Chronic Disease prevention efforts the Health Department will seek to serve 1,200 clients in the Cardiovascular Disparities Initiative, up 42% from FY14
- Number of Childhood Asthma ER Visits
 - The Healthy Homes program will seek improvements in asthma symptoms for 80% of clients

GROW BALTIMORE



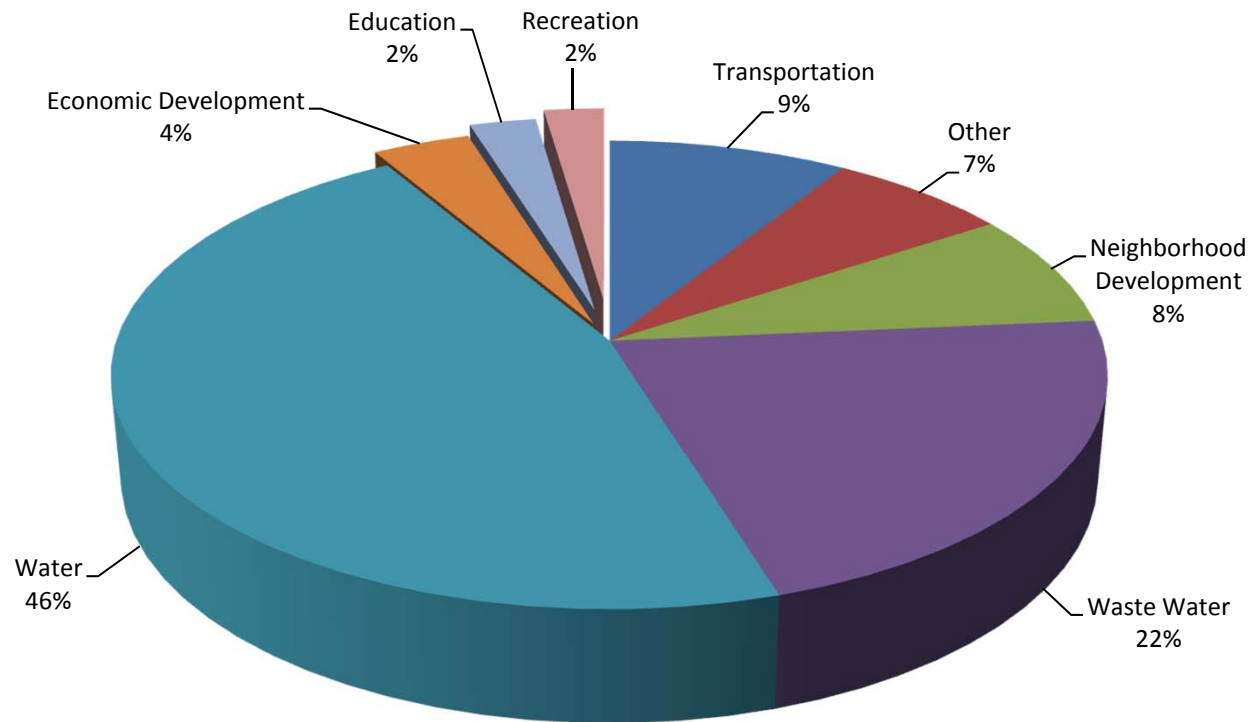
Indicators





Fiscal 2016 Capital Budget

How the Money is Used
Total Budget=\$672.9 Million





Fiscal 2016 Capital Budget

General Fund (PAYGO) - \$21.8M

Homeownership Incentives (\$2.7M)
Transportation Projects (\$6.0M)
Community Center/Indoor Pool (\$2.4M)

Utility Fund (PAYGO) - \$21.1M

Sewer System Upgrades (\$8M)
Water Infrastructure (\$7M)
Pollution/Erosion Control Projects (\$4.8M)

Conduit Fund (PAYGO) - \$6.0M

Conduit Construction (\$3M)
Manhole Repairs (\$3M)

General Obligation Bonds - \$65.0M

Renovation of City schools (\$17M)
Whole block demolition (\$6.5M)
Park and Recreation facility improvements (\$9.2M)

Federal Grants - \$42.9M

Affordable Housing (\$7.1M)
Midtown Streetscape (\$4.0M)
Traffic Signal Upgrades and Traffic Safety Improvements (\$2.8M)

State Grants - \$34.4M

Central Library Renovations (\$16.9M)
Blight Elimination (\$2.5M)
Athletic Field Renovations (\$1.3M)

Revenue Bonds - \$263.1M

Sewer System Upgrades (\$44.4M)
Water Infrastructure (53M)
Druid Lake Water Filtration Plant (\$74.7M)

County Transportation Bonds - \$15.0M

Street Resurfacing (\$10M)
Bridge Repairs (\$1M)
Sidewalk Repair and Reconstruction (\$1.2M)

All Other - \$203.6M

Water Supply Improvements (\$123.2M)
Sewer System Upgrades (\$21.6M)
Park Heights Redevelopment (\$5M)



Fiscal Risks

Short-Term



- FPERS litigation (\$30M+)
- Traffic Cameras (up to \$16M)
- Police Body Cameras (TBD)
- BCPS Issues (TBD)
- State budget issues (TBD)
- Federal spending reductions (TBD)
- Grants Deficit (liability of \$62M)

Mid-Term



- Convention Center Hotel (up to 25% of Hotel Tax)
- Debt service for vacated schools (\$10-20M)
- Pension actuarial assumptions (\$10-20M a year)
- Wynne income tax case (\$1M a year)
- Teacher pension costs after Fiscal 2016 (TBD)
- Risk Management (liability of \$202M)
- Ten-Year Plan implementation (TBD)
- Civil Unrest Economic Impact (TBD)



Questions?



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